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Decision 20-02-025 February 6, 2020

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PACIFICORP (U901E), an Oregon Company, for an Order Authorizing a General Rate Increase Effective January 1, 2019.	Application 18-04-002
And Related Matter.	Investigation 17-04-019

DECISION ON TEST YEAR 2019 GENERAL RATE CASE FOR PACIFICORP

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DECISION ON TEST YEAR 2019 GENERAL RATE CASE FOR PACIFICORP

Summary

This decision approves a revenue requirement of $71,951,494 for PacifiCorp pursuant to its 2019 General Rate Case Application, 18-04-002. The adopted amount is $6,640,203 lower than PacifiCorp's request and reflects our careful assessment and determination of the operating expenses and capital expenditures that are necessary for PacifiCorp to provide safe and reliable service at just and reasonable rates. The adopted revenue requirement shall become effective upon adoption of this decision and shall be implemented upon filing of tariffs pursuant to the directives of this decision.

This decision also authorizes a post-test year adjustment mechanism. The adjustment mechanism provides funds necessary for PacifiCorp to continue to provide safe and reliable service to customers beyond the test year, while providing PacifiCorp a reasonable opportunity to earn the rate of return authorized by this decision. The post-test year adjustment mechanism is substantially unchanged from a previously adopted mechanism. The revenue requirement authorized in this decision does not include commodity costs of electricity procured for customers or costs of fuel used in generating electricity; these are addressed in a separate proceeding, the Energy Cost Adjustment Clause proceeding.

The authorized amounts are less than PacifiCorp requested. PacifiCorp's final updated 2019 revenue requirement request is $78,591,697, representing a $0.8 million increase relative to present rates.

A significant component of PacifiCorp's request in this application is for accelerated depreciation of its coal generation facilities. PacifiCorp requests

approximately $5.24 million during 2019 alone for accelerated depreciation. We do not approve this request, reflecting our judgement that PacifiCorp has not adequately established benefits to its California Ratepayers of these accelerated costs.

This Commission supports the retirement of PacifiCorp's coal generation facilities. PacifiCorp has informally stated in other venues that it intends to retire these facilities. It is time for the company to present California with a plan for these retirements. PacifiCorp is ordered to file its next General Rate Case for Test Year 2022 and shall include in that application or an earlier application its plan for coal facility retirements and any associated request for accelerated depreciation.

Appendix A to this decision contains the detailed results of operations tables that summarize the annual General Rate Case revenue requirements approved in this decision, based on our decisions regarding the forecasted costs we find to be reasonable, and which are adopted in today's decision.

These consolidated proceedings are closed.

1. Background

On April 27, 2017, the California Public Utilities Commission (Commission) issued Order Instituting Investigation (OII. or I.) 17-04-019 to determine whether PacifiCorp engages in least-cost planning on a control area basis, whether PacifiCorp's Inter-Jurisdictional Cost Allocation Protocol results in just and reasonable rates in California, and whether the Commission should continue to allow PacifiCorp to demonstrate alternative compliance with the Emissions Performance Standard. A Scoping Memo and Ruling was issued in I.17-04-019 on September 14, 2017.

On April 12, 2018, PacifiCorp filed Application (A.) 18-04-002 for authority to increase its authorized revenue, electric rates, and charges effective January 1, 2019. A.18-04-002 is the General Rate Case (GRC) application of PacifiCorp.

A prehearing conference was held on June 5, 2018 to discuss the issues of law and fact, including whether these proceedings should be consolidated and to determine the need for hearing and schedule for resolving these matters. Rule 7.4 of the Commission Rules of Practice and Procedure[1] provides, "[p]roceedings involving related questions of law or fact may be consolidated." A primary issue in both proceedings is consideration of just and reasonable rates for California customers. After considering pleadings filed in both proceedings and discussion at the prehearing conference, consolidation was found to improve efficiency and avoid the duplication of testimony and consideration of similar issues in separate proceedings, without prejudicing any party and therefore, A.18-04-002 and I.17-04-019 were consolidated for all purposes.

The scope of the consolidated proceeding includes all issues identified by the Scoping Memo and Ruling issued on September 14, 2017 in I.17-04-019 and as identified by the by the Scoping Memo and Ruling issued on July 19, 2018 in the consolidated actions.

2. Policy Testimony

Three issues encompass the "policy testimony" in these proceedings. These are: the Energy Cost Adjustment Clause (ECAC) and Post-Test Year Adjustment Mechanism (PTAM), Executive and Incentive Compensation, and the treatment of adjustments due to the Tax Cuts and Jobs Act (TCJA) of 2018.

[1] All references herein to "Rule" or "Rules" are to the Commission's Rules of Practice and Procedure, California Code of Regulations, Title 20, Division 1, Chapter 1.

2.1. Retention of ECAC Mechanism - including PTAM mechanism for attrition and major capital additions

Continuing use of the ECAC and PTAM are not explicitly opposed by any party. Sierra Club, however, contends approval of these mechanisms should be limited by prohibiting PacifiCorp from charging California customers for any cost associated with the operation of coal units beyond December 31, 2022 absent certain conditions.[2] Curiously, Sierra Club argues for this limitation while simultaneously taking "no position on the Commission's decision to retain the ECAC and PTAM mechanisms."[3] PacifiCorp notes this recommendation is "unsupported by any testimony" and would "inject a full IRP [Integrated Resource Plan] analysis into ECAC proceedings."[4] We agree, Sierra Club's "no position" recommendation is contradictory and unsupported, and we do not adopt it. We also recognize, and discuss elsewhere, that the IRP proceeding, and not the ECAC or PTAM, is the appropriate proceeding for consideration of the continued operation of PacifiCorp's coal plants.

2.1.1. ECAC

The ECAC mechanism was initially adopted by Decision (D.) 06-12-011 to provide a means for PacifiCorp to recover its volatile energy costs in a timely and efficient manner. PacifiCorp files its ECAC application annually on August 1, setting a balancing rate (a true-up of actual net power costs) and an offset rate (the forecasted net power costs for the following year).[5] The ECAC currently also includes fuel stock carrying charges, costs for implementation and reporting verification under the California Air Resources Board Mandatory Reporting Rule

[2] Sierra Club Opening Brief, § III, at 8.

[3] *Id.*, at 9.

[4] PacifiCorp Reply Brief, § II A, at 8.

[5] PacifiCorp Opening Brief, § II D, at 17.

and Cap-and-Trade Program, net metering surplus costs, and purchases of renewable energy credits for RPS compliance.[6] Forecast Production Tax Credits and start-up fuel costs for 2019 were included in A.18-08-001, the ECAC filed August 1, 2018; PacifiCorp proposes these items continue to be included in future ECAC applications.[7] The proposal is not opposed. We approve it.

2.1.2. PTAM

In D.06-12-011 we authorized an annual PTAM allowing PacifiCorp to adjust base rates for changes in inflation with an off-setting productivity factor of 0.5 percent for 2008 and 2009. Use of the PTAM was then extended and reauthorized for 2010 by D.09-04-017, for 2012 and 2013 by D.10-09-010, for 2014 by D.12-10-006, for 2015 by D.13-07-026, for 2016 by D.14-06-018, for 2017 by D.15-12-018, and for 2018 by D.16-09-046.

In this proceeding, PacifiCorp proposes the PTAM continue to be used to set rates in years between GRCs using the same formula and elements as were previously approved.[8] The Public Advocate's Office of the California Public Utilities Commission (Cal Advocates) agrees with PacifiCorp's proposal for continuing use of the PTAM.[9] Sierra Club again states it "takes no position."[10] We find the ECAC and PTAM are an efficient means for setting fair and reasonable rates and authorize continuing use.

The PTAM will be authorized for use in 2021 and calculated as the greater of: (i) the September Global Insight U.S. Economic Outlook forecast of

[6] *Id.*, at 17-18.

[7] *Id.*, at 18.

[8] PAC/100, at 11:2-6.

[9] Cal Advocates-01, at 4:3-4.

[10] Sierra Club Opening Brief §III, at 9.

Consumer Price Index for the following calendar year with an offsetting productivity factor of 0.5 percent; or (ii) zero. The PTAM factor may continue to be filed on October 15 (or as soon thereafter as is reasonable) as a Tier 2 Advice Letter, with rates effective January 1. Given the effective date of this decision, a PTAM factor based on the Consumer Price Index is not found to be reasonable for 2020.

PacifiCorp may use the PTAM for Major Capital Additions for 2020 and 2021 based on California allocated costs relying on actual cost data and in-service dates. A PTAM for Major Capital Additions may be filed for 2020 as soon as reasonably feasible following the effective date of this decision. A PTAM for Major Capital Additions for 2021 may be filed consistent with the schedule stated above.

2.2. Executive Compensation - Incentive Compensation

PacifiCorp proposes $609,868 for its Incentive Compensation plan. The incentive compensation is available to all non-union employees based on evaluation of six factors: (1) customer service; (2) employee commitment; (3) environmental respect; (4) regulatory integrity; (5) operational excellence; and (6) financial strength.[11]

Cal Advocates recommends disallowing two-thirds of this funding, $406,599, arguing PacifiCorp has "failed to show … a direct benefit to ratepayers."[12] We do not agree. PacifiCorp has established the customer benefits of the incentive compensation program related to employee commitment, environmental respect, regulatory integrity, and operational excellence. PacifiCorp concedes costs related to the customer satisfaction survey in the

[11] PAC/1400, at 18:8–15.

[12] Cal Advocates-04, at 10:6–18.

customer service category may be disallowed, as well as the costs of the financial strength element. This results in a reduction of incentive compensation costs of $149,601, or approximately 23 percent.[13] We approve the remaining $460,267.

2.3. Treatment of 2018 Income Tax Adjustment

The Commission, by D.18-05-030, authorized PacifiCorp to establish a Tax Reform Memorandum Account to track the full income tax impacts of the TCJA Act of 2017. That decision anticipated "PacifiCorp's Tax Reform Memorandum Account will be subject to review and inspection in its future general rate case."[14]

PacifiCorp and Cal Advocates agree that all tax savings from the TCJA of 2017 should be returned to ratepayers.[15] PacifiCorp's rebuttal testimony stated it expected to have calculated the "full effects" of the tax reform "to be finalized in early 2019 and then requests it be authorized in this decision to file an Advice Letter to return those tax savings.[16]

We did not consider an Advice Letter to provide the appropriate level of review and required supplemental testimony. PacifiCorp was the only party to provide supplemental testimony.

2.3.1. The Tax Cuts and Jobs Act

On December 22, 2017, Public Law 115 97, the TCJA, was signed into law. This legislation includes changes that directly affect the computation of regulatory tax expense and rate base in PacifiCorp's Test Year 2019 GRC. Significant changes include the following:

1. Change in the federal income tax rate from 35% to 21%;

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[13] PacifiCorp Opening Brief, §II.B., at 16.

[14] D.18-05-030, § 2.2, at 4.

[15] PacifiCorp Opening Brief, § II, C, at 17; Cal Advocates Opening Brief, § I, B, at 3.

[16] PAC/1400, at 22:3-12; PacifiCorp Opening Brief, § II, C, at 17.

2. Loss of Internal Revenue Code (IRC) Section 199 manufacturing deduction;
3. New IRC Section 168(k) Bonus Depreciation rules do not apply to public utility property;
4. The return of excess deferred income taxes (EDIT) on historical normalized tax differences using the average rate assumption method (ARAM) or the Reverse South Georgia Method (RSGM);[17]
5. The repeal of the exclusion from income of contributions in aid of construction received from governments for public purposes; and
6. The repeal of the deduction and imposition of certain limitations with respect to certain expenditures.[18]

PacifiCorp asserts the change in the Federal corporate income tax rate from 35% to 21% affects the revenue requirement in three ways:

1. It reduces current income taxes.
2. It reduces the Accumulated Deferred Income Taxes (ADIT) liability.
3. It reduces the company's Federal Energy Regulatory Commission (FERC) Open Access Transmission Tariff rates, which reduces third party wheeling revenues.[19]

2.3.2. Testimony: Impact of the Tax Cuts and Jobs Act

PacifiCorp served the only supplemental testimony addressing the impact of the TCJA on August 2, 2019.

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[17] The Reverse South Georgia Method may be used if property records do not contain the specific data necessary for the Average Rate Assumption Method.

[18] PAC/2200, at 3:4-18.

[19] *Id.*, at 3:19-4:2.

2.3.3. Revenue Requirement

With its updated testimony, PacifiCorp calculates a 2018 GRC revenue requirement decrease of $4.6 million. The proposed revenue change is due to a reduction in current taxes of $3.531 million, 2018 Protected property EDIT amortization of $0.906 million, and 2018 Non-Protected property EDIT amortization of $0.192 million.[20] These sums have been tracked in the Tax Reform Memorandum Account.[21] PacifiCorp projects it will have additional savings through the effective date of this decision due to the tax savings impact on the current revenue requirement.[22] We acknowledge PacifiCorp, by its comments states, it now has four balances tracked in the tax memorandum account: 1) the current tax benefit of tax reform occurring before the rate effective date; 2) deferred amortization of protected property-related EDIT; 3) non-protected property-related EDIT; and, 4) non-property EDIT.[23]

PacifiCorp intends to amortize to customers over a three-year amortization period the deferred current tax savings and property-related EDIT amortization for the period January 1, 2018 through the rate effective date of the final decision in this GRC.[24]

2.3.4. ADIT

The reduction in the corporate income tax rate also results in a reduction in the amounts which need to be held for ADIT. ADIT results from PacifiCorp normalizing the benefit of accelerated depreciation, as required by the Internal

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[20] *Id.*, at 5:14-18 and Table 1.

[21] *Id.*, at 5:5-8.

[22] *Id.*, at 6:9-17.

[23] PacifiCorp Opening Comments, at 15.

[24] *Id.*, at 9:4-12.

Revenue Service (IRS). When PacifiCorp takes accelerated depreciation, it receives a current tax benefit. For ratemaking purposes however, PacifiCorp's capital expenditures for its plant is depreciated on a straight line, or "book" basis, over the life of the asset, in accordance with IRS normalization requirements. This means the ratepayers receiving the benefit of an asset share equally in the cost of that asset over the life of the asset. Included in book depreciation is the initial cost of the asset and the "cost of removal" of the asset or "negative net salvage." The difference between the accelerated "tax depreciation" and the "book depreciation" multiplied by the tax rate is the ADIT balance.

Under IRS normalization rules, while the utility is allowed to claim the benefit of accelerated depreciation in its tax filings, thereby lowering its taxable income, the utility is not allowed to flow through these tax benefits to ratepayers. Instead, the IRS requires the creation of the ADIT balance which reduces rate base. The ADIT ensures the ratepayers share in the tax benefit of accelerated depreciation through the ADIT reduction from rate base, while tracking the annual changes between tax and book depreciation.

The ADIT, by not allowing the flow through of the tax benefits of accelerated depreciation, ensures in another way that the ratepayers share equally in the tax benefit of accelerated depreciation. Under "normalization" rules all ratepayers over the life of an asset receive the tax benefits of accelerated depreciation; the money saved now due to accelerated depreciation (the income taxes) is deferred for payment of the taxes later so that today's ratepayers share equally with tomorrow's ratepayers in the payment of taxes relating to the assets which generated the accelerated depreciation.

ADIT was formerly calculated based on a payment of deferred income taxes at the rate of 35%. Due to the reduction in the tax rate to 21%, the amount of ADIT needed to pay the deferred tax is reduced. The EDIT which result from the reduced income tax rate will be returned to customers; however, this return will not be immediate. The IRS requires these EDIT be "normalized" pursuant to the ARAM or RSGM. When the EDIT are returned, ARAM (or RSGM) ensures the excess is returned to ratepayers over the remaining life of the underlying asset. Since the deferred income taxes are offset against ratebase, when the EDIT are returned, there is a corresponding increase in ratebase.

PacifiCorp anticipates additional returns to customers of EDIT for 2019 for protected property of $0.770 million and $0.147 million for non-protected property, before gross-up.[25] PacifiCorp also proposes the amortization period be set in the next filed GRC.[26]

PacifiCorp reports California EDIT balances for protected property of $29.721 million, for non-protected property of $3.153; and non-property of $0.837 million, for a total of $33.711 million.[27] The IRS normalization rules require protected property EDIT be amortized using the ARAM or RSGM. PacifiCorp acknowledges non-protected property EDIT is not subject to these normalization rules. Consequently, PacifiCorp will amortize it "over an alternative period as agreed with and approved by its regulatory Commissions."[28]

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[25] *Id.*, at 7:7-18.

[26] *Id.*, at 7:19-21.

[27] *Id.*, at 8:1-5 and Table 2.

[28] *Id.*, at 8:6-15.

We find that EDIT balances are excess funds now and if not subject to other limitations, should be returned to ratepayers now. Unlike requiring all ratepayers share equally in the expense of an asset over its life, returning excess funds to current ratepayers does not impose a greater burden on future ratepayers. Rather, repayment now returns the excess funds to ratepayers who are the closest in time to the recent ratepayers who contributed those funds to these accounts. Therefore, we require the net excess deferrals relating to the non-protected assets be returned to ratepayers on an amortized basis over three years consistent with the balance of the Tax Reform Memorandum Account.

3. Inter-jurisdictional Cost Allocation Methodology

PacifiCorp has historically apportioned costs between customers in the separate states of its territory by using an inter-jurisdictional cost allocation protocol. The Revised PacifiCorp Inter-Jurisdictional Cost Allocation Protocol (Revised Protocol) was proposed by PacifiCorp's 2007 test year GRC, A.05-11-022 and was approved by D.06-12-011, the decision adopting the settlement of that proceeding.[29] The Commission approved continuing use of the Revised Protocol in D.10-09-010, PacifiCorp's 2011 test year GRC, A.09-11-015.[30]

3.1. Issues from OII - Reasonableness of Rates from existing Cost Allocation

Under the Revised Protocol,

> PacifiCorp's California customers pay a proportionate share of PacifiCorp's system costs based on the relative usage of PacifiCorp's assets used to serve its California service area. PacifiCorp allocates system-wide costs, primarily generation and transmission costs, based on contribution to system peak

[29] PAC/300-I, at 3-5:15-23.

[30] *Id.*, at 3-6:1-5.

> (demand-related) and annual energy usage to determine the state's cost causation on the system.[31]

A weighted load-based allocation factor called the System Generation (SG) factor is used to allocate the capital and Operations and Maintenance (O&M) costs of Company owned generation and transmission assets.[32] Fuel costs are allocated based on a System Energy factor which is based on the percentage of each states' total energy use during the year.[33]

The Revised Protocol "allocated costs among PacifiCorp's jurisdictions and ensured that the company operated its generation and transmission system on an integrated basis to achieve a least cost-least risk resource portfolio…."[34] Based on historical loads for calendar year 2016, PacifiCorp's system allocated costs for California, including coal generation costs, were approximately 1.6 percent. Coal costs are regarded as part of SG costs and are not separately allocated.[35]

Since the 2011 GRC, PacifiCorp has added only one generation resource: Lake Side 2, a 631 megawatt (MW) natural gas-fired, combined cycle power plant for a total investment of approximately $671 million.[36] Since the 2011 GRC, PacifiCorp added two transmission resources in 2013, the Clover Transmission Substation for an investment of $63.7 million and the Mona-to-Oquirrh Transmission Project for an investment of $347.5 million. One additional transmission facility was added in 2015, Sigurd-to-Red Butte for an investment of

[31] *Id.*, at 3-6:6-10.

[32] *Id.*, at 3-2:18-23 and 3-6:20-22.

[33] *Id.*, at 3-7:1-2.

[34] *Id.*, at 3-2:11-14.

[35] I.17-04-109, Scoping Memo, September 14, 2017, Issue 2, Q. 3) a., at 7.

[36] PAC/300-I, at 3-7:3-5.

$338.0 million.[37] There have been no other additional generation or transmission investments since the 2011 GRC.[38]

The cost allocation protocol is intended to fairly allocate costs among the jurisdictions served by PacifiCorp. It does not impact compliance with California Greenhouse Gas (GHG) policies.[39] Costs incurred to comply with California policies to reduce GHG emissions are assigned to California.[40] Additionally, other mechanisms exist for implementing California policies, such as the Emissions Performance Standard and the Integrated Resource Plan.

PacifiCorp contends the Revised Protocol produces reasonable rates. The intervenors do not disagree.[41] The system average rates for each jurisdiction is immaterial to determining whether California ratepayers are paying a reasonable share of costs.[42] Rates are significantly impacted by the weighting of customer classes and state policy decisions and do not provide a meaningful basis for comparison.[43] We agree, the existing Revised PacifiCorp Inter-Jurisdictional Cost Allocation Protocol results in California ratepayers paying an appropriate share of system-wide costs and just and reasonable rates. [44]

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[37] *Id.*, at 3-7:5-7 and Table 2.

[38] I.17-04-109, Scoping Memo, September 14, 2017, Issue 2, Q. 5), at 9.

[39] *Id.*, Q. 3) b., at 8.

[40] PAC/300-I, at 3-16:5-18.

[41] PacifiCorp Opening Brief, § III, at 20.

[42] I.17-04-109, Scoping Memo, September 14, 2017, Issue 2, Q. 4) a. ii), at 8.

[43] PAC/300-I, at 3-15:9-14.

[44] I.17-04-109, Scoping Memo, September 14, 2017, Issue 2, at 7.

3.2. Issues from GRC and OII - Adoption of 2017 Allocation Methodology

PacifiCorp contends the 2017 Protocol modifies and streamlines the Revised Protocol to update and improve it while continuing to ensure just and reasonable rates for PacifiCorp's California customers.[45] The 2017 Protocol, like the Revised Protocol, continues to be intended to fairly allocate costs among PacifiCorp's jurisdictions. The intervenors do not oppose the 2017 Protocol.

We consider PacifiCorp's generation resources pursuant to the OII. Question 7 of the OII seeks information concerning uses and apportionment of costs and revenues for generation resources. PacifiCorp characterizes its generation resources according to the 2017 Protocol as System resources, Regional resources, Seasonal resources, State resources, and Administrative and general costs.[46] Under the 2017 Protocol, the SG factor will be calculated in the same manner as the Revised Protocol.[47] A state's twelve monthly system peaks are weighted 75 percent and a state's annual energy use is weighted 25 percent in calculating each state's allocation of generation and transmission costs.[48]

There are no Regional resources under the 2017 Protocol.[49]

There are also no Seasonal resources under the 2017 Protocol.[50] Seasonal factors which were used for the Revised Protocol have been eliminated because

[45] PacifiCorp Opening Brief, § III, B, 1, at 22.

[46] I.17-04-109, Scoping Memo, September 14, 2017, Issue 2, Q. 7), at 9.

[47] *Id.*, Issue 2, Q. 3), at 7.

[48] PAC/300-I, at 3-8:7-14.

[49] *Id.*, at 3-8:15-16.

[50] *Id.*, at 3-9:2.

they were considered immaterial (three one-hundredths of a percent for a limited set of assets for California).[51]

The 2017 Protocol changes the consideration of State resources by allocating to the individual states the costs of demand-side management programs and compliance with portfolio standards based on where the costs arise or the investment is made.[52] The characterization by the OII of qualifying facility contracts as similar to regional resources is incorrect. Qualifying facility contracts are system allocated, similar to other generation resources. If a portion exceeds costs PacifiCorp would otherwise have incurred in obtaining comparable resources, that portion would be assigned to the state that approved the contract.[53]

The administrative and general costs are allocated using a System Overhead factor based on a ratio of gross plant allocated to each state.[54]

Lastly, the 2017 Protocol adjusted the Embedded Cost Differential (ECD), including an equalization adjustment. The ECD quantifies embedded costs of western hydro generation resources, Mid-Columbia contracts, [and, in the Revised Protocol but not the 2017 Protocol, historic Qualifying Facility contracts] compared to embedded costs of all other generation. Seeking to eliminate future volatility in the ECD, the 2017 Protocol set a fixed amount for the equalization adjustment (in California it is a credit of $324,000).[55] The equalization adjustment addresses PacifiCorp's undercollection of costs (but does not allow PacifiCorp

[51] PacifiCorp Opening Brief, § III, B, 1, at 24.

[52] PAC/300-I, at 3-9:11-19.

[53] *Id.*, at 3-9:20-3-10:2.

[54] *Id.*, at 3-10:3-6.

[55] *Id.*, at 3-10:7-3-10:20.

full recovery). The 2017 protocol adjustment (ECD credit and equalization adjustment debit) for California is zero.[56]

No party contends the 2017 Protocol shifts the cost burden of Eastern control area resources to customers in California without a commensurate sharing of benefits to California customers.[57] California ratepayers continue to pay a reasonable share of PacifiCorp's system-wide costs.[58]

We agree the 2017 Protocol provides for just and reasonable rates for California ratepayers and approve its use.

3.3. Allocation Methodologies Across Jurisdictions

At present, the 2017 Protocol is used in Idaho, Oregon, Utah, and Wyoming.[59] Washington uses the West Control Area Inter-Jurisdictional Allocation Methodology (WCA).[60] The WCA isolates costs and revenues of assets in PacifiCorp's west (PACW) balancing area authority and allocates a proportionate share to Washington based on Washington's relative contribution to demand and energy requirements.[61] The WCA includes facilities in California, Oregon, and Washington and transmission and generation assets outside of those states but which are electrically located in PACW. The WCA does not include loads and assets in the PacifiCorp's east balancing authority area (PACE).[62]

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[56] *Id.*, at 3-10:21-3-11:6.

[57] I.17-04-109, Scoping Memo, September 14, 2017, Issue 2, Q. 3) c., at 7.

[58] *Id.*, Issue 2, Q. 4) a., at 8.

[59] PAC/300-I, at 3-8:2; I.17-04-109, Scoping Memo, September 14, 2017, Issue 2, Q. 4) b., at 8.

[60] PAC/300-I, at 3-11:11-12; I.17-04-109, Scoping Memo, September 14, 2017, Issue 2, Q. 4), at 8.

[61] PAC/300-I, at 3-11:12-3-12:1.

[62] *Id.*, at 3-12:1-5.

PacifiCorp contends the WCA does not reflect the actual operations or finances of the company since it operates as an integrated system and finances its operations on a total company basis.[63] PacifiCorp further contends applying the WCA to California "would not result in more just and reasonable electric rates to PacifiCorp's California customers than either the Revised Protocol or 2017 Protocol."[64] Furthermore, it "does not reflect the way the company operates on a system basis nor does it comply with cost causation principles."[65] The intervenors did not dispute or address these contentions. We find it has not been established that implementation of the WCA would result in electric rates for PacifiCorp customers in California that are more just and reasonable than electric rates based on PacifiCorp's 2017 Protocol.[66]

PacifiCorp system costs in 2016 were allocated approximately 1.6 percent to California, 26.6 percent to Oregon, 8.2 percent to Washington, 5.9 percent to Idaho, 42.7 percent to Utah, and 15.0 percent to Wyoming.[67] Distribution costs are assigned entirely to the state where the facilities are located.[68]

The Multi-State Process (MSP) is a collaborative effort to develop solutions to PacifiCorp's multi-state challenges. In the past, the MSP has developed the protocols for fair allocation of costs based on relative load which we have found have resulted in just and reasonable rates for California.

[63] *Id.*, at 3-12:6-17.

[64] *Id.*, at 3-13:8-10.

[65] *Id.*, at 3-13:10-11.

[66] I.17-04-109, Scoping Memo, September 14, 2017, Issue 2, Q. 4) d., at 8.

[67] *Id.*, Issue 2, Q. 4) a., at 8.

[68] PAC/300-I, at 3-7:8-11.

The 2017 Protocol will expire at the end of 2019.[69] Recently, the MSP Workgroup has been meeting monthly to discuss new approaches to address diverging state energy policies and other factors.[70] This forum is endeavoring to negotiate a "long-term, fair, and balanced inter-jurisdictional allocation methodology for PacifiCorp's system assets."[71] Challenges requiring a new methodology are: "differing state policies; qualifying facilities policies; community solar programs; private generation options; retail choice policies; renewable portfolio standards; and clean energy goals."[72]

In 2016 PacifiCorp considered an alternative corporate structure, separating into a utility serving California, Oregon, and Washington and a utility serving Idaho, Utah, and Wyoming.[73] PacifiCorp reports its analysis found costs would likely increase for all customers due to increases in financing costs, property and income tax expense, and administrative and general costs. Additionally, the transition would take decades if PacifiCorp were to avoid additional costs and penalties.[74] Due to the expectation that a division of PacifiCorp's corporate structure would increase costs for all customers, it has not been advanced as an alternative which would result in just and reasonable rates in California.

PacifiCorp has since developed a new inter-jurisdictional cost allocation proposal to address its multi-jurisdictional challenges. The new proposal

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[69] PAC/100-I, at 1-5:19-20.

[70] PAC/300-I, at 3-1:1-20.

[71] PAC/100-I, at 1-6:1-4.

[72] *Id.*, at 1-6:12-14.

[73] I.17-04-109, Scoping Memo, September 14, 2017, Issue 2, Q. 8), at 9.

[74] PAC/300-I, at 3-15:17-25.

realigns existing generation and moves to a subscription model for new resources. The realignment is intended to allow states to align their policies, including coal generation policies, with the cost allocation of these resources.[75]

PacifiCorp has proposed the Coal Life Evaluation Allocation and Realignment (CLEAR) to realign coal plants and fix allocations of existing generation based on current SG allocation factors. CLEAR is intended to allow accelerated depreciation of specific coal units for states seeking divestment from coal. For example, Oregon, rather than being responsible for 25% of 24 units, would be responsible for 100% of six units and thereby its divestment from coal would be associated with specific units. PacifiCorp contends this policy would allow states to pursue their policies without shifting costs of those policies to other states. Additionally, PacifiCorp will be able to continue to plan on a "least-cost, least-risk system basis" while the net power costs to each state would be based on each state's unique resource portfolio.[76] The CLEAR proposal and the MSP appear intended to ensure continuing just and reasonable rates for California ratepayers; however, we defer our analysis for consideration of the MSP.[77]

4. Cost of Capital

PacifiCorp asserts the weighted average cost of capital and the capital structure are among "the most important elements of a GRC" and "the largest single difference in revenue impact between PacifiCorp's Application and the recommendations of [Cal Advocates]."[78] PacifiCorp proposes a weighted

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[75] *Id.*, at 1-6:15-20.

[76] PAC/600-I.

[77] I.17-04-109, Scoping Memo, September 14, 2017, Issue 2, Q. 8), at 9.

[78] PacifiCorp Opening Brief, § IV, at 27.

average cost of capital of 7.94 percent; Cal Advocates proposes 7.08 percent. PacifiCorp's recommendation is based on a 10.60 percent return on equity, consistent with its current return on equity which was adopted following settlement by D.10-09-010. Cal Advocates' proposal is based on a return on equity of 8.94 percent.

We adopt a cost of capital of 7.622 percent, as discussed below.[79]

4.1. Capital Structure

PacifiCorp proposes a capital structure which is consistent with the capital structure adopted in the previous GRC.[80]

Capital Structure Overview

	2019 GRC Proposal	Adopted in Last GRC (A.09-11-015)
Long-Term Debt	48.02%	47.50%
Preferred Stock	0.02%	0.30%
Common Equity	51.96%	52.20%

The proposed capital structure is reasonable and unopposed. We adopt it.

4.2. Cost of Debt and Preferred Stock

PacifiCorp presented testimony establishing the cost of Long-Term Debt at 5.05 percent for the 2019 Test Year and fixing the cost of Preferred Stock for the same period at 6.75 percent. Again, the application is undisputed and reasonable, and we adopt it.

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[79] Note, PacifiCorp is not a party to A.19-04-014, *et al*. the consolidated cost of capital applications for 2020 of Southern California Edison Company, Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas); this decision is rendered based on the unique status of PacifiCorp and the record herein.

[80] *Id.*, at 28 and PAC/300, Table 3, at 13.

4.3. Return on Equity

PacifiCorp contends the difference between the 10.6 percent return on equity it proposes, and the 8.94 percent proposed by Cal Advocates "is the largest single revenue requirement adjustment proposed by [Cal Advocates]."[81]

Cal Advocates' recommendation of 8.94 percent is based on models historically used by the Commission: Discounted Cash Flow, a historical risk premium and a capital asset pricing.[82] PacifiCorp's result from these traditional models, in rebuttal testimony, indicated a return of equity of 9.38 percent.[83]

PacifiCorp then augmented its testimony, reviewing additional financial models and other benchmarks, producing a significantly higher result of 10.48 percent.[84] Ultimately, following consideration of additional factors: rising interest rates,[85] heightened volatility of equity markets,[86] capital demands as PacifiCorp shifts from coal to renewable resources,[87] business and regulatory risk,[88] and PacifiCorp's status as a multi-jurisdictional utility which does not file in California on a regular three-year cycle,[89] PacifiCorp contends it should receive a return of equity of 10.60 percent.

The weight of the evidence tends to favor PacifiCorp while Cal Advocates chose to rest on its more limited analysis without contesting PacifiCorp's. We

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81 PacifiCorp Opening Brief, §IV, C, at 29.

82 Cal Advocates-09, at 5:18–21.

83 PacifiCorp Opening Brief, §IV, C, 1, at 31.

84 PAC/1504.

85 PAC/200, at 4:1–4.

86 *Id.* at 4:5–6.

87 *Id.*, at 4:7-11.

88 *Id.*, at 4:12–16; at 30:16–19; at 32:3–14.

89 *Id.*, at 31:8-32:2.

find however, in comparison to PacifiCorp's proposed return of equity, the comparable earnings for Dow Jones Utilities Index companies are lower at 9.44 percent; earnings for Dow Jones Industrial Average companies are significantly higher at 16.62 percent, but not comparable; allowed returns for electric utilities were lower from 2015 through 2017, averaging from 9.74 percent to 9.85 percent; allowed returns for vertically integrated electric utilities were lower from 2015 through 2017, averaging from 9.74 percent to 9.81 percent; allowed returns for California vertically integrated electric utilities were lower averaging 10.25 percent; and allowed FERC returns average 10.09 percent for electric transmission companies and 14.09 percent for gas pipeline companies (which are not comparable).[90]

Excluding returns which are not comparable, and recognizing that some risks, such as the impact of the interest rate environment, have not been established, and other risks, such as PacifiCorp's regulatory status, are unchanged, and in consideration of PacifiCorp's rebuttal testimony supporting a range of 9.7 percent to 10.5 percent,[91] we find a the return on equity of 10 percent is reasonable.

[90] PacifiCorp Opening Brief at 43; PAC/1504.

[91] PAC/1500, at 18:6-7.

Adopted Capital Structure and Return

	Capital Structure	Return
Long-Term Debt	48.02%	5.05%
Preferred Stock	0.02%	6.75%
Common Equity	51.96%	10.0%

5. Accelerated Depreciation for Coal Units

The purpose of depreciation is to allow a utility to recover the original cost of the asset, as well as the net salvage value (salvage minus cost of removal), over the life of the asset. This ensures assets are paid for by the customers who benefit from the use of the asset and the shareholders who provided the capital invested in the assets are repaid for their investment. To meet these objectives, the Commission uses the Straight-line Remaining Life depreciation method described by Standard Practice U-4.

Under the straight-line remaining life depreciation method, the undepreciated asset amount (original cost less accumulated depreciation plus the estimated net salvage) is depreciated over the remaining life of the asset. The net salvage includes the cost of removal of the asset at the end of its useful life as well as any salvage value the asset may have at that time.

Currently, for California (and Utah, Idaho, and Wyoming) the asset lives of PacifiCorp's coal burning power plants are based on a 2007 depreciation study establishing the lives of these plants to end between 2027 and 2046. PacifiCorp proposes to accelerate the depreciation for these plants by California ratepayers to complete depreciation between 2023 and 2029.[92] The proposed accelerated depreciation would be consistent with depreciation rates used for Oregon and

[92] PAC/100, at 11:6-17, 11:21-12:1; PAC/101.

Washington. (Oregon did not adopt the longer depreciable lives proposed by the 2007 study.[93] Washington recently adopted lives ending between 2023 and 2029.[94])

PacifiCorp contends the differing depreciable lives used for Oregon and Washington compared to the other states in PacifiCorp's territory do not impact California ratepayers. Differing depreciation rates do not impact other states under the Revised Protocol or 2017 Protocol. At this time, coal assets have not been fully depreciated in any state and all states continue to pay their share of costs associated with the coal assets.[95]

There, however, is a potential cost impact to California customers of Oregon's statute requiring accelerated depreciation of PacifiCorp's coal assets.[96] Typically a customer in a state with shorter depreciable asset lives would continue to pay their share of costs related to capital improvements or environmental compliance after all of the depreciation expense has been paid. Oregon's Senate Bill 1547 however, precludes any costs from coal generation in electric rates as of January 1, 2030. After that date, the costs of coal generation presumably may no longer be shared by Oregon; the costs may be shared by five states, rather than the six states in PacifiCorp's territory.[97] This could increase the costs on the remaining five states.

PacifiCorp acknowledges the accelerated depreciation "proposal is not based on a change in technical depreciation assumptions, methodologies, or

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[93] PAC/300-I, at 3-13:17-22.

[94] PAC/300-I, at 3-13:22-3-14:3.

[95] PAC/300-I, at 3-14:6-10.

[96] I.17-04-109, Scoping Memo, September 14, 2017, Issue 2, Q. 6), at 9.

[97] PAC/300-I, at 3-14:11-3-15:1-6.

calculations."[98] Rather, it is "a policy-based change in the depreciable lives…."[99] PacifiCorp advocates returning its "coal-fired resources to their pre-2008 depreciable lives" aligning "the depreciable lives for those resources in PacifiCorp's California, Oregon, and Washington service territories."[100] This change would adopt depreciation schedules used before the 2007 depreciation study; PacifiCorp contends it "will provide greater resource planning flexibility for PacifiCorp and its customers as California implements state environmental policies…"[101] Furthermore, PacifiCorp contends aligning the coal plant depreciation rates in California, Oregon, and Washington will make it easier to implement policies adopted by the three states in PacifiCorp's western service territory and advance the states' long history of cooperation.

The immediate impact of the accelerated depreciation is that when it is combined with other mitigating factors, PacifiCorp proposes an increase of $800,000 in the revenue requirement attributed to California ratepayers.[102] PacifiCorp, in advancing this proposal, obscures the true impact of accelerating depreciation. The Utility Reform Network (TURN) contends the "workpapers reveal that the accelerated depreciation proposal adds $5.24 million to the annual revenue requirement."[103] Thus, the proposal increases the electricity bill to each California ratepayer by nearly $10 per month.[104]

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[98] PAC/100, at 12:14-15.

[99] *Id.*, at 12:15-16.

[100] *Id.*, at 11:9-12.

[101] *Id.*, at 12:12-17.

[102] PacifiCorp Opening Brief, § V, at 50.

[103] TURN Reply Brief, § V, at 3; PAC/1101, at 6.0.2.

[104] See, I.17-04-019, Scoping Memo, September 14, 2017, Issue 2, Q. 4) c., at 8.

We recognize, as PacifiCorp argues, accelerated depreciation now can mitigate later increases in ratepayer rates due to early retirement of coal plants in the future and avoid the potential that ratepayers pay costs of early retirement and costs of replacement power at the same time.[105] We also recognize PacifiCorp's continuing burning of coal to produce electricity is inconsistent with California's goal of reducing GHG emissions associated with electrical generation.

The costs of PacifiCorp's early retirement of its coal plants, however, are speculative until a record is more fully developed as to whom should be assessed these costs and absent any commitment by PacifiCorp to retire its coal burning plants. At present, PacifiCorp only promises "flexibility." The only readily recognizable benefit of this flexibility would be to the shareholders receiving the return of their capital despite the asset remaining in service (accelerated depreciation resulting in increased payments by ratepayers to shareholders for coal plants now, even though those plants remain in operation). There is no current benefit to ratepayers or the environment of using accelerated depreciation to remove these plants from California ratebase while the plants continue to burn coal to generate electricity for PacifiCorp. Furthermore, removing PacifiCorp's coal plants from California ratebase while the plants continue to operate may violate the proscription of Public Utilities (Pub. Util.) Code § 454.53(a) against resource shuffling.[106]

[105] PacifiCorp Opening Brief, §V, at 50.

[106] Pub. Util. Code § 454.53(a) in pronouncing the policy of 100% of retail electric sales from eligible renewable energy and zero-carbon resources by 2045, states in part, "[t]he achievement of this policy for California shall not increase carbon emissions elsewhere in the western grid and shall not allow resource shuffling."

We do not approve accelerated depreciation for PacifiCorp's coal burning plants. PacifiCorp has not met its burden to establish "flexibility" results in just and reasonable rates for PacifiCorp's California ratepayers. The existing depreciation schedules should be maintained. This Commission supports the retirement of PacifiCorp's coal generation facilities. PacifiCorp has informally stated in other venues that it intends to retire these facilities. It is time for the company to present California with a plan for these retirements. PacifiCorp is ordered to file its next GRC for Test Year 2022 and shall include in that application or an earlier application its plan for coal facility retirements and any associated request for accelerated depreciation.

6. Recovery of Capital Expenditures on Coal Generation Units

6.1. Issues from OII and GRC-Least Cost Planning by System/Balancing Area and IRP Modeling of Coal Generation Units

6.1.1. Least Cost Planning

The first issue of the OII is, "Does PacifiCorp engage in least-cost planning and dispatch on a system-wide basis or a control area basis?"[107] PacifiCorp operates its system on an integrated basis across its entire six-state territory[108] and engages in least-cost planning on a system-wide basis.[109] This means PacifiCorp does not operate differing transmission control areas and does not suffer transmission constraints limiting it from functioning on a fully integrated basis. PacifiCorp has over 200 interconnections with other balancing authority areas and transmission operators. It is able to rely on regional market hubs: the Mid-Columbia and California-Oregon Border market hubs for the PACW and

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[107] I.17-04-109, Scoping Memo, September 14, 2017, Issue 1, at 7.

[108] PAC/200-I, at 2-2:2.

[109] *Id.*, 2-5:19–21.

the Mona, Four-Corners, and Palo Verde market hubs for the PACE. PacifiCorp is also a member of the Energy Imbalance Market (EIM). PacifiCorp reports it has 1,600 MWs of transmission rights east to west, connecting the PACE and PACW. This allows PacifiCorp to serve load in PACW without building additional resources in that BAA and gives PacifiCorp the ability to maintain reserves for PACE generation without duplicating reserves in both BAAs.[110]

A related question of the OII asked: which currently in-service PacifiCorp transmission and generation resources in the Western and Eastern control areas pre-date PacifiCorp's merger with Utah Power, and which have been added to service since then?[111] Given the confirmation that PacifiCorp's operations are not divided into control areas, we no longer consider the question to be relevant.

PacifiCorp acknowledges it may have had transmission constraints in the past. Now, however, with the EIM and the capability to wheel power from California Independent System Operator through the PACE, PacifiCorp contends it has the ability to improve energy delivery from east to west.[112]

6.1.2. IRP Assessment of System Generation Mix

PacifiCorp represents that its IRP presents "the company's plan to provide reliable and reasonably priced service to its customers across its multi-jurisdictional service territory."[113] PacifiCorp states the Preferred Portfolio is the "least-cost, least-risk resource portfolio" which "can be delivered through specific action items at a reasonable cost and with manageable risks, while

[110] *Id.*, at 2-2:8–2-3:1.

[111] I.17-04-109, Scoping Memo, September 14, 2017, Issue 1, Q. 2, at 7.

[112] PAC/200-I, at 2-4:22–28.

[113] *Id.*, at 2-5:21–2-6:1.

considering customer demand for clean energy and ensuring compliance with state and federal regulatory obligations."[114]

Sierra Club asserts PacifiCorp fails to engage in least-cost planning because it has not properly assessed the continuing value and operation of its coal fleet and PacifiCorp assumes the coal fleet should continue to operate.[115] The scope of least-cost planning in this proceeding extends however, only to whether PacifiCorp has engaged in least-cost planning on a system-wide or control area basis and not an assessment of the continuing operation of coal plants.[116]

TURN contends, "Based on the record of this proceeding, TURN believes that more information is needed to assess the economic and environmental reasonableness of PacifiCorp's systemwide dispatch of its coal-fired generation."[117]

We stated in the initial scoping memo:

> We also find Sierra Club's suggested question about least-cost dispatch of coal plants to be outside the scope of this proceeding; that and related questions are more appropriately addressed in a future review of PacifiCorp's ECAC mechanism.[118]

We repeated that determination in the July 19, 2018 scoping memo.

Although TURN's discussion of these issues reflects recognition that the dispatch of coal plants is outside the scope of this proceeding, TURN then seeks to have us define the scope of the ECAC proceeding and the record to be

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[114] *Id.*, at 2-6:8–11.

[115] Sierra Club Opening Brief, § V, at 12-16.

[116] I.17-04-109, Scoping Memo, September 14, 2017, Issue 1.

[117] TURN Opening Brief, § VI.A., at 8.

[118] I.17-04-109, Scoping Memo, September 14, 2017, § 2.2, at 11.

required.[119] It is appropriate during that proceeding, not here, for the assigned Commissioner and Administrative Law Judge (ALJ) to determine the scope and the record to be developed. Additionally, the IRP process sets forth the optimal mix of system resources to meet state planning requirements including GHG emission targets.[120]

6.2. Recovery of Ongoing Capital Costs and Expenses

PacifiCorp has ongoing capital costs associated with maintaining safe and reliable operations of its coal plants.[121] Cal Advocates does not oppose PacifiCorp's proposal to increase its Electric Plant in Service (EPIS) for California, including capital expenditures for coal plants, by $33 million, to $650 million. These amounts reflect the 1.58% California share of PacifiCorp's total increase in EPIS of $1.004 billion.[122]

Sierra Club attacks PacifiCorp's IRP, asserting the spending is imprudent and uneconomic; it seeks to exclude capital spending for coal plants beginning in 2011 through 2018 and moving forward.[123]

PacifiCorp is currently participating in California's IRP proceeding, R.16-02-007, as is the Sierra Club. It has also filed its IRP in the renewable portfolio standard proceeding R.15-02-020. In its IRP, PacifiCorp considers its customer loads and resources over a twenty-year planning period. The continued investment in and operation of its coal generation units versus the

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[119] TURN Opening Brief, § VI.A., at 11-12.

[120] *See*, D.18-12-018.

[121] PacifiCorp Opening Brief, § VI., at 52.

[122] Cal Advocates Opening Brief, § VI., at 29.

[123] Sierra Club Opening Brief, § V, at 12-16.

alternative of early retirement is analyzed.[124] In the IRP proceeding, the Commission considers the best mix of generation resources for the system.

Meanwhile, we find, PacifiCorp's changing analysis over time of its coal plants during the IRP process cannot support hindsight reconsideration of its capital expenditures (as recommended by Sierra Club). Expenditures outside of PacifiCorp's application which are already in rate base are not properly before us; we will not engage in a retroactive review.

6.3. Rate Base Adjustments

We note a related capital adjustment proposed by PacifiCorp to add investments in coal mines to rate base. These capital additions would allow PacifiCorp to earn a return for its investors on these investments. The investments are a 21.4 percent share in the Trapper Mine which provides coal to the Craig generating plant and a two-thirds interest in the Bridger Coal Company which provides coal to the Jim Bridger generating plant. The California allocation of the proposed rate base adjustment for the Trapper Mine is $110,653 and for the Bridger Mine is $1,741,256.[125]

PacifiCorp must establish these investments, like other capital investments, are prudent. PacifiCorp simply states, "[t]his adjustment adds PacifiCorp's portion of the Trapper Mine net plant investment to rate base in order for PacifiCorp to earn a return on its investment"[126] and "[t]his adjustment is necessary to properly reflect the Bridger Coal Company investment in rate base in order for PacifiCorp to earn a return on its investment."[127] These justifications

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[124] PacifiCorp Opening Brief, § VI., A., 1., at 54-56.

[125] PAC/1100, at 27:13-20, 27:21-28:6; PAC/1101, at 8.2 and 8.3, 173 and 176 of 374, respectively.

[126] PAC/1100, at 27:18-20.

[127] *Id.*, at 28:2-4.

fail to meet PacifiCorp's burden to establish the prudency of these investments; we do not allow these adjustments to rate base. We note, we are not revisiting previous decisions in disallowing these adjustments.[128]

Similarly, PacifiCorp seeks $1,854,828 for Pro Forma Plant Additions and Retirements, Mining Plant, Coal Mine, Account 399.[129] Likewise, the adjustment is not allowed. Again, we are not reversing or revisiting prior decisions in making this disallowance.[130] Contrary to PacifiCorp's Comments, we are not engaged in hindsight reconsideration of these expenditures; these adjustments are only effective prospectively.

6.4. Recovery of Emissions Control Equipment and Related Expenditures

PacifiCorp seeks recovery for investments in selective catalytic reduction equipment (SCRs) at the Jim Bridger, Hayden, and Craig coal plants.[131] The projects were placed in service from 2015 through 2017 and were installed to reduce emissions in compliance with state and federal environmental requirements.[132] Opposition to these investments appears limited to Jim Bridger.[133]

PacifiCorp's decisions to install SCRs at Jim Bridger were made during 2012 and 2013.[134] PacifiCorp has established these decisions were reasonable and should be approved. Although Sierra Club questions the rationale for these

[128] See, PacifiCorp Opening Comments, § VI., at 12.

[129] PAC/1101, at 8.5.3, 183 of 374, and at 8.5.4-8.5.23, 184-203 of 374.

[130] See, PacifiCorp Opening Comments, § VI., at 12.

[131] PacifiCorp Opening Brief, § VI., at 52.

[132] PAC/400, 1:18-2:8.

[133] PacifiCorp Reply Brief, § VI., C., 2., at 37.

[134] PacifiCorp Opening Brief, § VI., C., at 70.

decisions, Sierra Club's lack of support from pricing changes and forecasting data which could have impacted these decisions raises Sierra Club's questions to nothing more than speculation.[135]

Capital expenditures for emissions control equipment at the Naughton Unit 1 have been included in California rates since 2012 following Commission approval of PacifiCorp's PTAM.[136] The Sierra Club testimony raises interesting questions concerning PacifiCorp's investment but that evidence is insufficient to question the prudence of these expenditures for Naughton Unit 1,[137] particularly given our acceptance in a prior General Rate Case of a similar investment at Naughton Unit 2.[138] We will not reconsider this expenditure now.

PacifiCorp's expenditures for emissions control equipment are reasonable and necessary. We allow them.

7. Capital Expenditures for Wind Repowering, Wind Generation and Transmission/ Distribution Upgrades

PacifiCorp proposes to repower a significant portion of its wind resources, acquire new wind resources, and upgrade its transmission and distribution infrastructure during this rate case period. No party opposes these expenditures.

7.1. Energy Vision 2020 Projects

PacifiCorp's Energy Vision (EV) 2020 Program includes repowering 999 MW of existing wind power,[139] constructing 1,150 MW of new wind power, and constructing 140 miles of 500 kilovolt (kV) transmission lines to improve

[135] See, GRC-SC-JIF-200-C, at 23:19-32:3; PacifiCorp OB, § VI., C., 1., e., (i)., at 76-78.

[136] PacifiCorp Reply Brief, § VI., C., 3., at 39.

[137] GRC-SC-JIF-200-C, at 12-18.

[138] PacifiCorp Opening Brief, § VI., C., 4., at 87-88.

[139] PAC/600, at 4:22–23.

access to the grid for wind generation resources.[140] The cost of EV 2020 is expected be $3.1 billion on a total-company basis.[141] Although Sierra Club questioned the IRP process in which these expenditures were proposed,[142] no party opposed the program. These expenditures are reasonable and we approve them.

7.2. Other Substation and Transmission Projects

The projected total-company cost for projects to upgrade existing substation and transmission facilities to increase the reliability of PacifiCorp's multi-state electric system is $172.5 million combined; the California-allocated share is less than two percent of the total-company costs.[143]

The projects are:

- Lassen 69/12.5 kV New Substation Project consists of constructing a new distribution substation to replace the existing Mt. Shasta substation and upgrade associated transmission and distribution lines to provide capacity.[144]
- The Sams Valley project involves construction of a new 500/230 kV substation with one 650 Megavolt-ampere (MVA) transformer bank and related improvements to comply with North American Electric Reliability Corporation reliability standards, north of Medford, Oregon.[145]
- The Snow Goose project includes a 500/230 kV substation, 650 MVA transformer bank and associated switchgear, and new 230 kV and 500 kV transmission lines to integrate the

[140] See PAC/1400, 2:8–11 and fn. 2; see also PAC/500, 25:19–28:2.

[141] PAC/1400, at 2, fn. 2.

[142] SC-JIF-100-C, at 23:1–22.

[143] PAC/700, at 6:3–5 and fn. 3. The exception to this allocation is the distribution portion of the Lassen substation, which is assigned 100 percent to California.

[144] PAC/700, at 7:4–9:7.

[145] *Id.,* at. 9:11–13:18.

substation into the area's existing 230 kV and 500 kV systems.[146]

- The Vantage to Pomona transmission project consists of a 41-mile, 230 kV transmission line between the BPA Vantage Substation near Vantage, Washington, and the PacifiCorp Pomona Heights substation in Yakima, Washington.[147]
- The Wallula-McNary transmission project consists of a 30-mile, 230 kV transmission line between Wallula, Washington, and McNary, Oregon.[148]

PacifiCorp contends these transmission and substation upgrade projects are necessary to ensure continued system reliability. No party objects to the projects. We approve them.

8. Advanced Metering Infrastructure

PacifiCorp's California Advanced Metering Infrastructure (AMI) Project has four primary components:

- Installation of smart meters.[149]
- Installation of field area networks.[150]
- Development, installation, and configuration of the head-end (information technology infrastructure), and software configuration. The head-end allows PacifiCorp to use and analyze data captured by the smart meters and enables PacifiCorp to send commands to the smart meters.[151]

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[146] PAC/700, at 13:22–16:14.

[147] *Id.*, at 16:18–19-17.

[148] *Id.*, at 16:18–19:17.

[149] PAC/800, at 4:13–5:2.

[150] *Id.*, at 5:4–10.

[151] *Id.*, at 5:13–19.

- Development of PacifiCorp's energy usage website to include customer access to historic, hourly consumption based on data from smart meters.[152]

PacifiCorp began installing smart meters in its California service territory in spring 2018 and the installation was completed December 31, 2018.[153]

The total cost of the AMI Project in California is $11.5 million in capital costs and $162,000 in operation and maintenance costs.[154] No party has opposed PacifiCorp's AMI Project or its associated costs.[155] We approve the AMI Project.

Two public participation hearings were conducted in PacifiCorp's California service territory. Advanced, or Smart, Meters generated the most public comment. The public was especially concerned with their ability to opt out of this service and whether they would be double billed for meter reading if they retained their analog meter.

Decision 18-08-01 established opt-out rates and procedures for AMI deployment. Following public comment, the Assigned Commissioner amended the scope of this proceeding and required PacifiCorp to

> supplement its testimony to explain the application of any meter reading fees, including any meter reading costs that may be incorporated into bundled fees, and explain the conjunction of any such fees or costs with the opt out fee for customers who have chosen to opt not to have a Smart Meter.[156]

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[152] *Id.*, at 5:21–6:9.

[153] PAC/2100, at 2:2–3:4; see also PAC/800, at 6:11–17.

[154] PAC/800, at 9:13–14.

[155] *See* Cal Advocates-06, at 4:4–5:3.

[156] Assigned Commissioner's Ruling Amending Scope of the Proceeding, A.18-04-002/I.17-04-019, November 20, 2018.

PacifiCorp's supplemental testimony clarifies: meter reading costs are not funded through rates or incorporated into bundled fees; monthly meter reading fees are collected from customers that have opted out of smart meter service pursuant to D.18-08-018.[157]

8.1. Connection and Reconnection Fees for Customers with Smart Meters

The Assigned Commissioner's November 20, 2018 Ruling Amending Scope of the Proceeding addressed a second issue: whether the Commission should authorize tariff changes updating PacifiCorp's service connection and reconnection fees as originally proposed in Advice Letter 570-E. PacifiCorp sought, by Advice Letter 570-E, authorization to establish a lower Remote Reconnection Charge of $7.00 for customers with smart meters who are disconnected for non-payment.[158] Customers with smart meters may be reconnected remotely; the reduced fee of $7.00 reflects the average cost of handling the customer's call for reconnection.[159] PacifiCorp also proposed no charge for new service connections for customers with smart meters.[160] We approve these fees.

9. Implementation of Risk-Based Investment Decision Making Framework

In compliance with D.14-12-025, PacifiCorp included a chapter in its GRC testimony on its Risk-Based Decision-Making Framework.[161] Following review, Cal Advocates made recommendations for additions and improvements to the

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[157] *Id.*, at 8:24–9:1; D.18-08-018, Ordering Paragraph (OP) 3, at 12.

[158] PacifiCorp withdrew Advice Letter 570-E on November 19, 2018.

[159] PAC/2100, at 3:6–19; 5:8–6:16.

[160] *Id.* at 7:8–9.

[161] PAC/1000; *see*, Cal Advocates-11, at 1:8-18.

PacifiCorp risk-based decision-making framework to be included in the company's next GRC.[162] PacifiCorp found the recommendations consistent with the ongoing process which was occurring in A.15-05-002 and advocated we defer to the conclusion of that process.[163]

Section 591 of the Pub. Util. Code states:

> (a) The Commission shall require an electrical or gas corporation to annually notify the Commission, as part of an ongoing proceeding or in a report otherwise required to be submitted to the Commission, of each time since that notification was last provided that capital or expense revenue authorized by the Commission for maintenance, safety, or reliability was redirected by the electrical or gas corporation to other purposes.
>
> (b) The Commission shall ensure that the notification provided by each electrical or gas corporation is also made available in a timely fashion to the Office of the Safety Advocate, Public Advocate's Office of the Public Utilities Commission, and parties on the service list of any relevant proceeding.

In D.19-04-020 of A.15-05-002 the Commission implemented Section 591 by approving a "Voluntary Risk-Based Decision-Making Framework" for use by the Small and Multi-Jurisdictional Utilities (SMJU), including PacifiCorp, in their GRCs. OP 13 of D.19-04-020 requires PacifiCorp file annual Risk Spending Accountability Reports (RSARs) beginning on June 30, 2020 for the 2019 record year and at OPs 14 and 15 establishes further requirements for review and consideration of RSARs and risk-based decision making. We defer to D.19-04-020.

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162 Cal Advocates-11, at 14:12–22.

163 PacifiCorp Opening Brief, § IX., at 100.

10. Revenue Requirement

The majority of adjustments proposed by PacifiCorp to the revenue requirement are not disputed. Issues contested by Cal Advocates – Return on Equity and Incentive Compensation – are resolved elsewhere by this decision.

PacifiCorp's Jurisdictional Allocation Model for modeling its results of operations and determining its revenue requirement and its use of the 2017 Protocol for allocating costs are not contested and are approved.

The following elements of PacifiCorp's revenue requirement are not contested:

- Labor (based on actual contracts and budgeting) and Nonlabor (based on Global Insight indices) escalation;[164]
- Establishing an insurance reserve account;[165]
- Annualizing wind repowering capital additions;[166]
- Closing the Carbon Power Plant Cost Memorandum Account, Joy Longwall Memorandum Account, Bonus Tax Depreciation Memorandum Account and the Repairs Deduction Memorandum Account;[167]
- Methodologies for computing and forecasting taxes;[168]
- Sales and customers forecasts;[169]
- Revenue calculations and adjustments for Test Year 2019;[170]
- Plant additions for Test Year 2019;[171]

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[164] Cal Advocates-05, at 2:22–23.

[165] Cal. Advocates-04, at 8:21–22 and fn. 4.

[166] Cal Advocates-08, at 5:1–4.

[167] See, Cal Advocates-08, at 4:19–21, 10:19–24.

[168] Cal Advocates-05, at 2:26–27.

[169] Cal Advocates-03, at 1:18–20.

[170] *Id*. at 2:3–5.

[171] Cal Advocates-06, at 1:19–22.

- Depreciation parameters[172] excepting acceleration of coal unit depreciation;[173]
- Rate base components for Test Year 2019 excepting the Weatherization Loan Programs;[174] and
- Based on the Results of Examination, Cal Advocates has no adjustments to recommend related to O&M Expenses, Administrative and General (A&G) Expenses, or Plant Expenditures.[175]

We adopt each of these adjustments, except, as discussed, accelerated depreciation of coal units.

Cal Advocates proposed additional adjustments to the PacifiCorp revenue requirement as follows:

- Adjustment to O&M and A&G expense to reflect Cal Advocates recommendation for a disallowance of certain incentive compensation costs, and a global adjustment to reflect that such costs are included in various accounts.[176]
- Removing $20,971 from rate base for Weatherization Loan Programs.

PacifiCorp proposed to modify the disallowance for incentive compensation, and we adopted it, as we discussed in § 2.2, *supra*. Cal Advocates did not oppose the remainder of the PacifiCorp proposed costs for O&M and A&G.[177] We approve them. PacifiCorp accepts and we approve the removal from rate base of $20,971 for Weatherization Loan Programs.[178]

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[172] Cal Advocates-07, at 7:6–8:2.

[173] § 5. Accelerated Depreciation for Coal Units, *supra.*

[174] Cal Advocates-08, at 3:3–10.

[175] Cal Advocates-10, at 1:28–2:2.

[176] Cal Advocates-04, at 1:17–24.

[177] *Id*. at 8:22–25.

[178] PacifiCorp Opening Brief, § X., at 102-104.

Based on the foregoing we make several adjustments to the Revenue Requirement, partly to reflect Cal Advocates' recommendations, partly to reflect PacifiCorp's own modification, and partly to account for other changes. The Table below reflects PacifiCorp's proposed increase at the time of briefing:[179]

TABLE—Revenue Requirement Increase

	Revenue Requirement Impact ($)
Requested Revenue Requirement Change – As Filed	**1,060,522**
Rebuttal Updates and Revisions	
Exclude Executive Compensation	(39,561)
Reduction to Incentive Compensation	(149,601)
Remove Glenrock III Wind Upgrades	(63,202)
Remove Weatherization Loan Balances	(2,083)
Total, Rebuttal Updates and Revisions	***(254,446)***
Requested Revenue Requirement Change - Rebuttal	**806,076**

Executive Compensation costs were removed to comply with Senate Bill (SB) 901, enacted in 2018.[180] Incentive compensation costs are reduced, as we discussed in § 2.2, *infra.* PacifiCorp removed the Glenrock III Wind Upgrade costs as it anticipates the upgrades would not be in service by the end of 2019.[181] We agree with PacifiCorp's request to use the PTAM to add the Glenrock III wind repowering project into rates after it is placed into service.[182] Finally, PacifiCorp agrees to remove the Weatherization Loan Program balances that were discontinued and should be removed from rate base.[183] Incidentally,

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[179] *Ibid.*

[180] PAC/1900, at 3:14–4:23.

[181] PAC/1900, at 6:2–20.

[182] *Id.* at 7:1–7.

[183] *Id.* at 7:9–23.

PacifiCorp notes that it recalibrated interest expense and working cash balances to account for the impacts of the other adjustments noted above.[184]

Following the adjustments accepted by PacifiCorp and noted in the Table above, the Revenue Requirement is further adjusted and adopted by the Commission as discussed herein and reflected below:

TABLE—Revenue Requirement Decrease

	Revenue Requirement Impact ($)
Requested Revenue Requirement Change - Rebuttal	**806,076**
Additional adjustments	
Remove Accelerated Depreciation for Coal	(5,250,718)
Authorized ROE of 10%	(1,224,917)
Additional Adjustments[185]	(164,568)
Total Adjustments	(6,640,203)
Authorized Change to Revenue Requirement	**(5,834,127)**

11. Cost of Service, Rate Spread and Rate Design

PacifiCorp's cost of service study is not disputed.[186]

PacifiCorp's marginal cost of service study shows: the company's functionalized class revenue requirement results based on the proposed revenue requirement change, as well as normalized present revenues by function for the

[184] *Id.* at 8:2–14.

[185] Removal of Bridger Mine and Trapper Mine from rate base; removal of historical total company balance in FERC Account 399.

[186] Cal Advocates-05, 7:2–8.

Test Period;[187] the summarized Results of Operations underlying the functionalized revenue requirement;[188] the normalized forecast revenues and functional class revenue requirement for the Test Period;[189] the functionalized revenue requirement results in cents per kilowatt hour;[190] and summaries from PacifiCorp's State of California 2019 Marginal Cost Study, which shows the full functionalized marginal cost for each customer class and each class's percent contribution to the total functionalized marginal cost[191] as well as the State of California 2019 Marginal Cost Study.[192] PacifiCorp's marginal cost of service study supports the company's proposed rate spread and rate design.

We approve the marginal cost of service study.

PacifiCorp's proposed rate spread brings PacifiCorp's rates for each customer category closer to reflecting the cost of service for those rate schedules, while mitigating rate impacts and recovering the proposed total revenue requirement.[193] In its application and direct testimony, PacifiCorp originally proposed a 1.9 percent price change for residential rates and an 8.8 percent overall decrease for its Lighting rate schedule, associated with the proposed $1.06 million revenue requirement increase.[194] PacifiCorp also proposed increasing the residential basic charge $0.15 to $7.35.[195]

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[187] PAC/1201, Table 1.

[188] *Id.* at Table 2.

[189] *Id.*, at Table 3.

[190] *Id.*, at Table 4.

[191] *Id.*, at Table 5 and Table 6.

[192] PAC/1200, Section IV; PAC/1202-C.

[193] PAC/1300, at 3:7–9; PAC/2000, at 2:3–8 and 3:13–14:1.

[194] PAC/1300, at 2:7–16.

[195] *Id.,* at 5:4–10.

After reviewing intervenor testimony, PacifiCorp revised its total proposed revenue requirement to an increase of $0.8 million.[196] Following our review of testimony, as discussed in § 10, *infra.*, we reduced the proposed revenue requirement further, resulting in a decrease.

Regarding rate spread and rate design issues, PacifiCorp responded to Cal Advocates' concerns over the increase to the residential basic charge and its preference for an equal percentage rate spread to all rate schedules.[197] PacifiCorp also addressed concerns raised by the California Farm Bureau Federation (Farm Bureau) that no structural changes to irrigation rates be implemented and that the cost of service study resulted in shifting some revenue recovery toward demand charges.[198] Responding to Cal Advocates' preference to mitigate significant changes in rates, PacifiCorp limited the residential rate increase to 1.4 percent and reduced the rate decrease for its lighting rate schedule to 4.4 percent.[199] We find PacifiCorp's revised rate spread brings rates for each customer category closer to reflecting the cost of service for those rate schedules, while mitigating rate impacts to customers.

These changes are further mitigated by the revenue requirement adopted herein. The reduced overall revenue requirement allows PacifiCorp to maintain the current $7.20 residential basic charge.[200]

We find PacifiCorp's revised proposal for rate spread and rate design are reasonable and approve them.

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[196] PAC/2000, at 2:2–3.

[197] *Id.*, at 2:21–3:5.

[198] *Id.*, at 4:9–16.

[199] *Id.*, at 1:15–24.

[200] *Id.*, at 3:6–11.

Pursuant to Pub. Util. Code Section 718, the impact of the proposed increase in rates on disconnections for nonpayment was identified as an issue within the scope of this proceeding. This decision orders a decrease in rates. Consequently, we do not consider the impact of the initially proposed increase in rates on disconnections.

12. Remaining OII Issues

12.1. Emissions Performance Standard

California's Greenhouse Gas Emission Performance Standard (EPS) directs the Commission to prohibit electrical corporations' long-term financial commitments to baseload electricity generating facilities that have an emissions rate exceeding 1,100 pounds (lbs.) CO_2/megawatt-hours (MWh).[201] The EPS states the Commission may accept multi-jurisdictional utilities' proposal for alternative compliance.[202] In D.07-01-039, the Commission held that PacifiCorp may comply with the EPS under alternative compliance.[203]

In this proceeding, Sierra Club and TURN recommend the Commission disallow PacifiCorp from filing under alternative compliance.[204] PacifiCorp seeks to continue alternative compliance.[205]

12.1.1. Other States' Review

PacifiCorp states their GHG emissions are reviewed in Integrated Resource Planning Processes (IRPs) by the regulatory commissions of Oregon,

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201 Pub. Util. Code § 8341.

202 Pub. Util. Code § 8341(d)(9).

203 D.07-01-039, Conclusion of Law 49.

204 TURN Opening Brief, at 23; Sierra Club Opening Brief, at 33.

205 PacifiCorp Opening Brief, at 116.

Washington, and Utah.[206] PacifiCorp further states these IRPs include evaluating regulatory compliance costs and potential risk associated with CO_2 emissions.

PacifiCorp states that Oregon and Washington both have EPS statutes similar to California's.[207] Oregon's EPS statute requires that the utility not make long-term financial commitments to electricity generation facilities that emit above 1,100 lbs. CO_2/MWh.[208] Washington's EPS statute requires that the utility not make long-term financial commitments to electricity generation facilities that emit above 970 lbs/MWh.[209]

Sierra Club asserts both Oregon and Washington merely require reporting of GHG emissions.[210] Consequently, it argues, PacifiCorp is not subject to meaningful review and while PacifiCorp must report on the potential impact of carbon policies in IRPs, there is no evidence any resource planning has been adjusted to comply with GHG emissions regulations.[211]

TURN attests that although other states conduct various reviews of GHG emissions, these reviews vary and no other state has a review of GHG emissions as ambitious as California's.[212]

12.1.2. PacifiCorp's Compliance with EPS

12.1.2.1. Emissions Factor

The OII scoping memo raised questions as to PacifiCorp's system emissions factor, what portion of PacifiCorp's system serves California, and the

[206] *Id.*, at 110-111.

[207] *Id.*, at 113.

[208] *Id.*, at 114.

[209] *Id.*, at 115.

[210] Sierra Club Reply Brief, at 12.

[211] Sierra Club Opening Brief, at 31.

[212] TURN Opening Brief, at 21.

length of the depreciable life of PacifiCorp's plants, among other questions regarding PacifiCorp's plants.

In response, PacifiCorp states their system-wide 2016 emissions factor was 0.6871 metric tons (MT) CO_2/MWh.[213] This is equivalent to 1,515 lb. (pounds) CO_2/MWh. TURN does not refute PacifiCorp, stating that between 2011 and 2016, PacifiCorp's system emissions factor ranged from just below 1,500 lbs. CO_2/MWh to just over 1,600 lbs. CO_2/MWh.[214]

PacifiCorp states its entire system serves California load.[215] California retail rates are determined by allocating the costs of a portion of the entire system of generation, transmission and distribution to California ratepayers, instead of California paying for the portion that specifically serves California.[216] As PacifiCorp operates on a system-wide basis, the emissions factor for PacifiCorp's resources serving California is equivalent to PacifiCorp's total emissions factor.

12.1.2.2. Depreciable Life, Capacity Factor, Contract Terms

The average depreciable life of PacifiCorp's 16 utility owned generation plants is approximately 18 years.[217] The baseload utility owned electricity generation plant with the longest depreciable life is Lake Side at 28 years, until 2047.[218]

As to the other questions presented in the OII regarding each facilities' capacity factor and contract terms and amendments, given PacifiCorp's system-

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[213] PAC/400-I, at 4-7 (line 1-3).

[214] TURN 1-C, at 6:1-9.

[215] PAC/400-I, at 4-6 to 4-7.

[216] *Id.*

[217] Exhibit PAC/1200.

[218] *Id.*

wide service to California, further inquiry concerning specific facilities is not warranted.

12.1.2.3. Long-term Financial Investments

Finally, the parties dispute whether in the past 12 years PacifiCorp has entered into any long-term financial investments at applicable baseload generating facilities that would have been disallowed in regular review under the EPS.

PacifiCorp contends that since the establishment of California's EPS, it has not made any long-term financial commitments in baseload generators that have emissions in excess of 1,100 lb. CO_2/MWh.[219] Sierra Club and TURN both disagree.[220]

PacifiCorp states it has made significant capital investments in emissions control equipment and turbine upgrades, but contends these are not violations of the EPS.[221] Sierra Club argues however that PacifiCorp's installation of air pollution control equipment and turbine upgrades at coal plants are long-term financial investments under California's EPS.[222] TURN asserts these investments appear to have extended the life of these plants and the turbine upgrades increased their net rated capacity. TURN contends these investments would have been prohibited under the EPS.[223]

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[219] PAC/400, at 4-7:16-19.

[220] TURN Opening Brief, at 16; Sierra Club Opening Brief, at 32.

[221] PacifiCorp Opening Brief, at 114; PacifiCorp Reply Brief, at 43.

[222] Sierra Club Opening Brief, at 32-33.

[223] TURN Opening Brief, at 14; TURN Reply Brief, at 9.

Sierra Club also contends coal plant fuel contracts extending five years are long-term financial commitments under the EPS.[224] PacifiCorp does not agree.[225]

Finally, Sierra Club asserts PacifiCorp's failure to divest from Bridger Mine and other coal mines are all long-term financial investments under EPS.[226]

The Commission authorized alternative compliance in the past and has accepted PacifiCorp's attestations. We will not review now whether or not past investments would have been allowed had PacifiCorp not been granted alternative compliance.

12.1.3. Alternative Compliance Mechanism

The Commission has the discretion to require alternative or actual compliance by a multi-jurisdictional utility with EPS.[227] Since authorizing alternative compliance with EPS for PacifiCorp in 2007,[228] California has made a commitment to achieve 100% carbon-free electricity for retail sales by 2045, which requires that the zero GHG emissions target be incorporated into all relevant planning and programs, and which prohibits "resource shuffling", e.g. shifting emissions to other states.[229] Furthermore, in the past 12 years PacifiCorp has invested in baseload energy generation facilities that exceed the 1,100 lbs. CO_2/MWh EPS limit,[230] and it is disputed whether those expenditures violate

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[224] Sierra Club Opening Brief, at 32-33.

[225] PacifiCorp Opening Brief, at 115, Reply Brief, at 45.

[226] Sierra Club Opening Brief, at 32-33.

[227] Cal. Pub. Util. Code § 8341(d)(9).

[228] D.07-01-039, § 5.3 at 164-168.

[229] SB 100 (DeLeon).

[230] PAC/1200-I-C.

EPS.[231] Therefore, we consider review of PacifiCorp's investments in baseload generation necessary going forward and will no longer allow PacifiCorp alternative compliance. Beginning in 2020 we require PacifiCorp to comply with D.07-01-039, Section 5.2 "Compliance Process for Small Electrical Corporations, Electric Service Providers and Community Choice Aggregators." We note, any filing required by that section shall be "as an advice letter, subject to the Commission procedures governing advice letter filings, which include opportunity for protests and responses."[232]

13. Future GRC Testimony and Other Issues

13.1. Depreciation Testimony

Cal Advocates recommends PacifiCorp be required to provide additional backup information in its depreciation proposals, including pre-funded salvage costs.[233]

PacifiCorp agrees to provide depreciation studies and other supporting information related to any depreciation proposals included in future rate cases. Further the company agrees it will provide data related to pre-funded removal costs for California distribution assets in future rate cases.[234] We agree the additional information is consistent with prior decisions and reiterate the requirement stated by D.10-09-010 in adopting a settlement agreement:

> In the Settlement Agreement, the Joint Parties agree that PacifiCorp will provide the following information in

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[231] Sierra Club Opening Brief, at 32-33; Sierra Club Reply Brief, at 12; PacifiCorp Opening Brief, at 114-116; PacifiCorp Reply Brief, at 42-46; TURN Opening Brief, at 14-18; TURN Reply Brief, at 9-13.

[232] D.07-01-039, at 162.

[233] Cal Advocates-07, at 3:22–15.

[234] PacifiCorp Opening Brief, § X., at 102-103.

subsequent rate case filings, with California distribution pre-funded removal costs shown separately:

- The most current balance of pre-funded removal costs;
- A year-by-year projection of: (1) when the then-existing balance of prefunded removal costs will be consumed; and (2) the implicit inflation rate for future asset removal costs; and
- A five-year projection of the year-end balance of pre-funded removal costs that shows for each year: (1) the gross additions to the balance; (2) the gross expenditures for removal costs; and (3) the net change in the balance of pre-funded removal costs.[235]

We further agree PacifiCorp should produce the historical spending and accrual data, including the aggregate historical data of the most recent depreciation study and additional data for any of the elapsed years between the study year and the GRC base year.[236]

Cal Advocates also recommends PacifiCorp record pre-funded removal costs in regulatory liabilities, stating the use of a "regulatory liability formalizes PacifiCorp's responsibility to use its net salvage collections for actual net salvage expenditures."[237] PacifiCorp contends it takes seriously its responsibility to use removal cost collections for their intended purpose and the existing regulatory accounting for removal costs is used for all six of the company's state jurisdictions and for FERC reporting and rate making. We agree a departure in the accounting for California would be inconsistent and unnecessary.[238]

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[235] D.10-09-010, at 13.

[236] Cal Advocates-07, at 11:21-12:7.

[237] Cal Advocates-07, at 12:11-13.

[238] PacifiCorp Opening Brief, § X., at 103.

13.2. Forecast Testimony

Cal Advocates further recommends PacifiCorp provide in its next GRC testimony a chapter explaining its sales and customer forecasts. Cal Advocates notes PacifiCorp did not provide written testimony explaining sales forecasts and that information had to be gathered through data requests.[239] Cal Advocates recommends PacifiCorp provide "a description of their econometric forecasting equations, results of statistical analysis for each equation and include recorded data for each equation in Excel format."[240] We agree the additional testimony is consistent with meeting PacifiCorp's burden of proof and should be required.

13.3. Tax Memorandum Account

Consistent with our treatment of other investor owned utilities, we require a broadened Tax Memorandum Account.

Commission precedent supports a policy of requiring the utilities subject to our jurisdiction to establish memorandum accounts to track the various costs and benefits of newly enacted tax law. In 2011, following passage of the federal Tax Relief Act, the Commission adopted Resolution L-411A in order to

> … preserve the opportunity for the Commission to decide at a future date whether some of the impacts of the Tax Relief Act, not otherwise reflected in rates, ought to be reflected in future rates, without having to be concerned with issues of retroactive ratemaking.[241]

The Tax Relief Act created the likelihood of large and unexpected decreases in tax expense for the utilities which, due to the timing of Commission rate cases, created the possibility that benefits of the tax decrease might not

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[239] Cal Advocates-03, at 1:21-2:2, 4:13-16.

[240] *Id.*, at 1:24-2:2.

[241] Resolution L-411A, at 3.

accrue to ratepayers in the same way they would if the tax decrease had been expected. The Commission's solution to this challenge was to direct certain utilities to establish memorandum accounts in order to allow the Commission to determine at a future date whether rates should be changed, without the impediment of claims of retroactive ratemaking.

Based on that precedent, and consistent with our identical orders in the SDG&E and SoCalGas Test Year 2016 proceeding and the Liberty Utilities Test Year 2016 GRC,[242] in D.17-05-013, we created a memorandum account to track all differences between forecast and recorded tax expenses so that we could more closely examine revenue impacts caused by PG&E's implementation of various tax laws, tax policies, tax accounting changes, or tax procedure changes. This was intended to help the Commission review the reasonableness of PG&E's election of various tax options, such as various tax policies, tax procedures, or tax accounting changes. The memorandum account has separate line items detailing the differences between tax expenses forecasted and tax expenses incurred, specifically resulting from (1) net revenue changes, (2) mandatory tax law changes, tax accounting changes, tax procedural changes, or tax policy changes, and (3) elective tax law changes, tax accounting changes, tax procedural changes, or tax policy changes. The account remains open and the balance in the account shall be reviewed in every subsequent GRC proceeding until a Commission decision closes the account.[243]

Similarly, PacifiCorp shall notify the Commission of any tax-related changes, any tax-related accounting changes, or any tax-related procedural changes that materially affect, or may materially affect, revenues. Our reference

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[242] D.16-12-024, OP 6.

[243] *See*, D.17-05-013, at 115-118.

to "materially affect" means a potential increase or decrease of $150,000 or more of California revenue. The failure to disclose such changes in a timely fashion undermines the integrity of the regulatory process and may amount to a violation of Rule 1.1.

Finally, we find that the establishment of a memorandum account is consistent with Resolution L-411A at 13 in which the Commission stated:

> We believe that an even-handed approach to regulation requires us to consider, when there has been a large and unexpected decrease in expenses between rate cases, whether it is appropriate to establish a memorandum account to allow for a future decrease in rates.

13.4. Motions

All previous rulings made during this proceeding are confirmed.

All other outstanding motions for which rulings have not issued, are deemed denied.

14. Categorization and Need for Hearing

This proceeding was preliminarily determined to be a ratesetting proceeding and that determination was confirmed by the Assigned Commissioner's Scoping Memo and Ruling.

Evidentiary Hearing was held December 12 and 13, 2018.

15. Comments on Proposed Decision

The proposed decision of ALJ Eric Wildgrube in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3. Comments were filed on January 2, 2020 by PacifiCorp, Cal Advocates, Sierra Club, and TURN, and reply comments were filed on January 6, 2020 by PacifiCorp and January 7, 2020 by Sierra Club and TURN. Revisions responsive to comments have been made. Comments which continued to argue positions that have previously been presented during the course of the proceedings have not received further discussion.

16. Assignment of Proceeding

Lianne M. Randolph is the assigned Commissioner and Eric Wildgrube is the assigned ALJ in this proceeding.

Findings of Fact

1. With respect to individual uncontested issues in this proceeding, we find that PacifiCorp has made a *prima facie* just and reasonable showing, unless otherwise stated in this decision.

2. It is reasonable to include consideration of Forecast Production Tax Credits and start-up fuel costs in ECAC proceedings.

3. The PTAM allows PacifiCorp to adjust base rates for changes in inflation calculated as the greater of: (i) the September Global Insight U.S. Economic Outlook forecast of Consumer Price Index for the following calendar year with an offsetting productivity factor of 0.5 percent; or (ii) zero.

4. The ECAC and PTAM are an efficient means for setting fair and reasonable rates.

5. PacifiCorp has established the customer benefits of the incentive compensation program related to employee commitment, environmental respect, regulatory integrity, and operational excellence.

6. PacifiCorp concedes costs related to the customer satisfaction survey in the customer service category may be disallowed, as well as the costs of the financial strength element. This results in a reduction of incentive compensation costs of $149,601, or approximately 23 percent.

7. The remaining incentive compensation costs of $460,267 are reasonable.

8. Public Law 115-97, the TCJA, was signed into law on December 22, 2017.

9. PacifiCorp and Public Advocate's Office of the Commission agree that all tax savings from the TCJA of 2017 should be returned to ratepayers.

10. It is reasonable for PacifiCorp to amortize to customers over a three-year amortization period the deferred current tax savings and protected excess deferred income tax and non-protected excess deferred income tax amortization for the period January 1, 2018 through the rate effective date of the final order in this GRC.

11. We find that excess deferred income tax balances are excess funds now and if not subject to other limitations, should be returned to ratepayers now.

12. Based on historical loads for calendar year 2016, PacifiCorp's system allocated costs for California, including coal generation costs, were approximately 1.6 percent.

13. Coal costs for PacifiCorp are regarded as part of SG costs and are not separately allocated.

14. Since the 2011 GRC, PacifiCorp added two transmission resources in 2013, the Clover Transmission Substation for an investment of $63.7 million and the Mona-to-Oquirrh Transmission Project for an investment of $347.5 million. One additional transmission facility was added in 2015, Sigurd-to-Red Butte for an investment of $338.0 million.

15. The existing Revised PacifiCorp Inter-Jurisdictional Cost Allocation Protocol results in California ratepayers paying an appropriate share of system-wide costs and just and reasonable rates.

16. The 2017 Protocol provides for just and reasonable rates for California ratepayers.

17. The 2017 Protocol is used in Idaho, Oregon, Utah, and Wyoming.

18. Washington uses the West Control Area Inter-Jurisdictional Allocation Methodology (WCA).

19. It has not been established that implementation of the WCA would result in electric rates for PacifiCorp customers in California that are more just and reasonable than electric rates based on PacifiCorp's 2017 Protocol.

20. In 2016 PacifiCorp considered an alternative corporate structure separating into a utility serving California, Oregon, and Washington and a utility serving Idaho, Utah, and Wyoming.

21. Due to the expectation that a division of PacifiCorp's corporate structure would increase costs for all customers, it has not been advanced as an alternative which would result in just and reasonable rates in California.

22. The Multi-State Protocol Workgroup has been meeting monthly to discuss new approaches to address diverging state energy policies and other factors.

23. A new MSP has not been finalized.

24. PacifiCorp proposes a capital structure which is consistent with the capital structure adopted in the previous GRC:

	2019 GRC Proposal	Adopted in Last GRC (A.09-11-015)
Long-Term Debt	48.02%	47.50%
Preferred Stock	0.02%	0.30%
Common Equity	51.96%	52.20%

25. The proposed capital structure is reasonable.

26. PacifiCorp's proposed cost of Long-Term Debt of 5.05 percent for the 2019 Test Year and fixing the cost of Preferred Stock for the same period at 6.75 percent are reasonable.

27. Excluding returns which are not comparable and recognizing some risks, such as the impact of the interest rate environment, are not established, and other risks, such as PacifiCorp's regulatory status, are unchanged, and in consideration of PacifiCorp's rebuttal testimony supporting a range of 9.7 percent to 10.5 percent, we a find a return on equity of 10 percent is reasonable.

28. The Commission uses the Straight-line Remaining Life depreciation method described by Standard Practice U-4.

29. Currently the asset lives for California (and Utah, Idaho, and Wyoming) of PacifiCorp's coal burning power plants are based on a 2007 depreciation study establishing the lives of these plants will end between 2027 and 2046.

30. PacifiCorp acknowledges its accelerated depreciation "proposal is not based on a change in technical depreciation assumptions, methodologies, or calculations." Rather, it is "a policy-based change in the depreciable lives…"

31. The costs of early retirement are speculative until a record is more fully developed as to whom should be assessed these costs and absent any commitment by PacifiCorp to retire its coal burning plants.

32. There is no benefit to ratepayers or the environment of removing coal burning plants from California ratebase while the plants continue to generate electricity for PacifiCorp.

33. PacifiCorp operates its system on an integrated basis across its entire six-state territory and engages in least-cost planning on a system-wide basis.

34. The California allocation of the proposed rate base adjustment for the Trapper Mine is $110,653 and for the Bridger Mine is $1,741,256.

35. PacifiCorp fails to meet its burden to establish the prudency of investments in the Trapper and Bridger Mines.

36. $1,854,828 for Pro Forma Plant Additions and Retirements, Mining Plant, Coal Plant, Account 399, is not prudent.

37. PacifiCorp's expenditures for emissions control equipment are reasonable and necessary.

38. PacifiCorp's Energy Vision 2020 Program includes repowering 999 MW of existing wind power, constructing 1,150 MW of new wind power, and constructing 140 miles of 500 kV transmission lines to improve access to the grid for wind generation resources at a cost expected be $3.1 billion on a total-company basis.

39. PacifiCorp contends these transmission and substation upgrade projects are necessary to ensure continued system reliability. We find these expenditures are reasonable.

40. The total cost of the AMI Project in California of $11.5 million in capital costs and $162,000 in operation and maintenance costs is reasonable.

41. Two public participation hearings were conducted in PacifiCorp's California service territory. Advanced, or Smart, Meters generated the most public comment. The public was especially concerned with their ability to opt out of this service and whether they would be double billed for meter reading if they retained their analog meter.

42. Meter reading costs are not funded through rates or incorporated into bundled fees; monthly meter reading fees are collected from customers that have opted out of smart meter service pursuant to D.18-08-018.

43. Tariff changes updating PacifiCorp's service connection and reconnection fees as originally proposed in Advice Letter 570-E to establish a lower Remote

Reconnection Charge of $7.00 for customers with smart meters who are disconnected for non-payment are reasonable. Customers with smart meters may be reconnected remotely; the reduced fee of $7.00 reflects the average cost of handling the customer's call for reconnection. PacifiCorp reasonably proposed no charge for new service connections for customers with smart meters.

44. Decision 19-04-020 in A.15-05-002 approved a voluntary agreement between the Commission's Safety Enforcement Division and the SMJU, including PacifiCorp. The agreement provides a framework for the risk-based decision-making components of PacifiCorp's next GRC filing.

45. The following elements of PacifiCorp's revenue requirement are not contested:

- Labor (based on actual contracts and budgeting) and Nonlabor (based on Global Insight indices) escalation;
- Establishing an insurance reserve account;
- Annualizing wind repowering capital additions;
- Closing the Carbon Power Plant Cost Memorandum Account, Joy Longwall Memorandum Account, Bonus Tax Depreciation Memorandum Account and the Repairs Deduction Memorandum Account;
- Methodologies for computing and forecasting taxes;
- Sales and customers forecasts;
- Revenue calculations and adjustments for Test Year 2019;
- Plant additions for Test Year 2019;
- Depreciation parameters excepting acceleration of coal unit depreciation;
- Rate base components for Test Year 2019 excepting the Weatherization Loan Programs; and,

- Based on the Results of Examination, Public Advocates has no adjustments to recommend related to O&M Expenses, A&G Expenses, or Plant Expenditures.

46. It is reasonable to remove $20,971 from rate base for Weatherization Loan Programs.

47. Executive Compensation costs were removed to comply with SB 901, enacted in 2018.

48. PacifiCorp removed the Glenrock III Wind Upgrade costs as it anticipates the upgrades would not be in service by the end of 2019.

49. We agree with PacifiCorp's request to use the PTAM to add the Glenrock III wind repowering project into rates after it is placed into service.

50. PacifiCorp's marginal cost of service study supports the company's proposed rate spread and rate design.

51. We find PacifiCorp's revised rate spread brings rates for each customer category closer to reflecting the cost of service for those rate schedules, while mitigating rate impacts to customers.

52. The reduced overall revenue requirement allows PacifiCorp to maintain the current $7.20 residential basic charge.

53. We find PacifiCorp's revised proposals for rate spread and rate design are reasonable.

54. Pursuant to Pub. Util. Code § 718, the impact of the proposed increase in rates on disconnections for nonpayment was identified as an issue within the scope of this proceeding. This decision orders a decrease in rates. Consequently, we do not consider the impact of the initially proposed increase in rates on disconnections.

55. PacifiCorp states their system-wide 2016 emissions factor was 0.6871 metric tons (MT) CO_2/MWh. This is equivalent to 1,515 lb. CO_2/MWh.

56. As PacifiCorp operates on a system-wide basis, the emissions factor for PacifiCorp's resources serving California is equivalent to PacifiCorp's total emissions factor.

57. We will not review now whether or not investments would have been allowed had PacifiCorp not been granted alternative GHG emissions compliance in the past.

58. Review of PacifiCorp's investments in baseload generation is necessary going forward.

59. PacifiCorp agrees to provide depreciation studies and other supporting information related to any depreciation proposals included in future rate cases. Further the company agrees it will provide data related to pre-funded removal costs for California distribution assets in future rate cases. The additional information is consistent with prior decisions.

60. PacifiCorp should produce the historical spending and accrual data, including the aggregate historical data of the most recent depreciation study and additional data for any of the elapsed years between the study year and the GRC base year.

61. PacifiCorp should provide in its next GRC testimony a chapter explaining its sales and customer forecasts including a description of their econometric forecasting equations, results of statistical analysis for each equation and include recorded data for each equation in Excel format.

62. PacifiCorp should provide its retirement plans for all coal facilities serving California customers consistent with its IRP, and any associated request for

accelerated depreciation, in an application submitted, in, or no later than, its next General Rate Case for test year 2022.

Conclusions of Law

1. PacifiCorp bears the burden to establish that its requests are just and reasonable.

2. Pub. Util. Code § 451 provides, in part, "all charges demanded or received by any public utility … shall be just and reasonable."

3. PacifiCorp must establish its requests are just and reasonable by the preponderance of the evidence.

4. Pub. Util. Code § 454.8 requires, in part, "the commission shall consider a method for the recovery of these costs which would be constant in real economic terms over the life of the facilities, so that ratepayers in a given year will not pay for the benefits received in other years."

5. We should approve including Forecast Production Tax Credits and start-up fuel costs in ECAC proceedings and continuing use of the ECAC should be authorized.

6. The PTAM for use in 2021 should be authorized.

7. The PTAM factor may continue to be filed on October 15 as a Tier 2 Advice Letter, with rates effective January 1.

8. PacifiCorp should be authorized to continue to use for 2020 and 2021 the PTAM for Major Capital Additions based on California allocated costs relying on actual cost data and in-service dates.

9. The PTAM for Major Capital Additions may continue to be filed on October 15 as a Tier 2 Advice Letter, with rates effective January 1. It may be filed as soon as reasonably feasible for 2020 with rates effective within 30 days thereafter.

10. Incentive compensation costs of $460,267 should be authorized.

11. A three-year amortization period for the deferred current tax savings and protected and all non-protected excess deferred income tax for the period January 1, 2018 through the rate effective date of the final order in this general rate case should be authorized and implemented by the filing of a Tier 1 advice letter rather than incorporating the amortization into the test-year revenue requirement.

12. Return of the net EDIT relating to the non-protected assets to ratepayers on an amortized basis over three years consistent with the balance of the Tax Reform Memorandum Account should be authorized.

13. We should approve use of the 2017 Protocol.

14. We defer our analysis for consideration of the Multi-State Protocol to after a new protocol is proposed.

15. We should adopt a cost of capital of 7.622 percent.

16. The proposed capital structure should be adopted.

17. PacifiCorp's proposed cost of Long-Term Debt of 5.05 percent for the 2019 Test Year and fixing the cost of Preferred Stock for the same period at 6.75 percent should be adopted.

18. We should authorize a return on equity of 10 percent.

19. We should not approve accelerated depreciation for PacifiCorp's coal burning plants.

20. Existing depreciation schedules should be maintained.

21. We should defer to the Integrated Resource Planning proceeding to consider the best mix of generation resources for PacifiCorp.

22. Expenditures outside of PacifiCorp's application which are already in rate base are not properly before us; we will not engage in a retroactive review.

23. We should not allow adjustments to rate base for investments in the Trapper and Bridger Mines.

24. We should not allow $1,854,828 for Pro Forma Plant Additions and Retirements, Mining Plant, Coal Plant, Account 399.

25. PacifiCorp's expenditures for emissions control equipment are reasonable and necessary and should be authorized.

26 PacifiCorp's Energy Vision 2020 Program at a cost expected to be $3.1 billion on a total-company basis should be approved.

27. The total cost of the AMI Project in California, $11.5 million in capital costs and $162,000 in operation and maintenance costs, should be approved.

28. Decision 18-08-01 established opt-out rates and procedures for AMI deployment.

29. Tariff changes updating PacifiCorp's service connection and reconnection fees as originally proposed in Advice Letter 570-E to establish a lower Remote Reconnection Charge of $7.00 for customers with smart meters who are disconnected for non-payment and no charge for new service connections for customers with smart meters should be approved.

30. Decision 19-04-020 in A.15-05-002 approved a voluntary agreement between the Commission's Safety Enforcement Division and the SMJU, including PacifiCorp. The agreement provides a framework for the risk-based decision-making components of PacifiCorp's next GRC filing. We should defer to it.

31. The following elements of PacifiCorp's revenue requirement are not contested, except accelerated depreciation of coal units, and should be approved:

- Labor (based on actual contracts and budgeting) and Nonlabor (based on Global Insight indices) escalation;

- Establishing an insurance reserve account;
- Annualizing wind repowering capital additions;
- Closing the Carbon Power Plant Cost Memorandum Account, Joy Longwall Memorandum Account, Bonus Tax Depreciation Memorandum Account and the Repairs Deduction Memorandum Account;
- Methodologies for computing and forecasting taxes;
- Sales and customers forecasts;
- Revenue calculations and adjustments for Test Year 2019;
- Plant additions for Test Year 2019;
- Depreciation parameters excepting acceleration of coal unit depreciation;
- Rate base components for Test Year 2019 excepting the Weatherization Loan Programs; and
- Based on the Results of Examination, Public Advocates has no adjustments to recommend related to O&M Expenses, A&G Expenses, or Plant Expenditures.

32. We should approve removal of $20,971 from rate base for Weatherization Loan Programs.

33. Removal of Executive Compensation costs complies with SB 901, enacted in 2018.

34. We should approve the marginal cost of service study.

35. We should approve PacifiCorp's revised proposal for rate spread and rate design.

36. We should review PacifiCorp's investments in baseload generation as necessary going forward and should no longer allow PacifiCorp alternative compliance. Beginning 2020 we should require PacifiCorp to comply with D.07-01-039, Section 5.2 "Compliance Process for Small Electrical Corporations, Electric Service Providers and Community Choice Aggregators" by filing an

annual Attestation Letter as an advice letter subject to the Commission procedures governing advice letter filings, which include opportunity for protests and responses.

37. Providing depreciation studies and other supporting information related to any depreciation proposals in future rate cases including data related to pre-funded removal costs for California distribution assets, is consistent with prior decisions and the requirement stated by D.10-09-010 in adopting a settlement agreement.

38. PacifiCorp should provide, in its next GRC testimony, a chapter explaining its sales and customer forecasts including a description of their econometric forecasting equations, results of statistical analysis for each equation and include recorded data for each equation in Excel format. Additional testimony is consistent with meeting PacifiCorp's burden of proof and should be required.

39. PacifiCorp should notify the Commission of any tax related changes, any tax related accounting changes, or any tax related procedural changes that materially affect, or may materially affect, California revenues of $150,000 or

more. We should require a broadened Tax Memorandum Account.

O R D E R

IT IS ORDERED that:

1. Application 18-04-002 is granted to the extent set forth in this Decision. PacifiCorp is authorized to collect, through rates and through authorized ratemaking accounting mechanisms, the base revenue requirement set forth in Appendix A, effective as of the date of this decision.

2. PacifiCorp shall file a Tier 1 Advice Letter within 30 days of issuance of this decision to implement the revenue requirement and ratemaking adopted herein. The revenue requirement and revised tariff sheets will be effective as of the date of this decision.

3. PacifiCorp shall file a Tier 2 Advice Letter within 30 days of the effective date of this decision to establish a two way tax memorandum account to record any revenue differences resulting from the income tax expenses forecasted in its General Rate Case (GRC) proceedings, and the tax expenses incurred by PacifiCorp in this 2019 GRC period and continuing.

    a. This tax memorandum account shall remain open and the balance in the account shall be reviewed in every subsequent GRC until a Commission decision closes the account.

    b. The account shall have separate line items detailing the differences between tax expenses forecasted and tax expenses incurred, specifically resulting from 1) net revenue changes, 2) mandatory tax law changes, tax accounting changes, tax procedural changes, or tax policy changes, and 3) elective tax law changes, tax accounting changes, tax procedural changes or tax policy changes.

c. PacifiCorp may track changes in revenue resulting from the application of the Average Rate Assumption Method or Reverse South Georgia Method in accordance with this decision in the Tax Memorandum Account.

4. PacifiCorp shall notify the Energy Division of the California Public Utilities Commission of any tax related changes, tax related accounting changes or any tax related procedural changes that materially affect or may materially affect revenues. "Materially affect" is defined as a potential increase or decrease of $150,000 or more of California revenue.

5. PacifiCorp shall provide, in its next General Rate Case testimony, a chapter explaining its sales and customer forecasts including a description of its econometric forecasting equations, results of statistical analysis for each equation and include recorded data for each equation in Excel format.

6. PacifiCorp shall provide depreciation studies and other supporting information related to any depreciation proposals in future rate cases, including data related to pre-funded removal costs for California distribution assets and as consistent with prior decisions including Decision 10-09-010.

7. Beginning in 2020 PacifiCorp shall comply with Decision 07-01-039, Section 5.2 "Compliance Process for Small Electrical Corporations, Electric Service Providers and Community Choice Aggregators" by filing an annual Attestation Letter as a Tier 2 advice letter subject to the Commission procedures governing advice letter filings, which include the opportunity for protests and responses.

8. Tariff changes updating PacifiCorp's service connection and reconnection fees as originally proposed in Advice Letter 570-E to establish a lower Remote Reconnection Charge of $7.00 for customers with smart meters who are

disconnected for non-payment and no charge for new service connections for customers with smart meters are approved.

9. PacifiCorp must return the net Excess Deferred Income Tax relating to the non-protected assets to ratepayers on an amortized basis over three years consistent with the balance of the Tax Reform Memorandum Account.

10. PacifiCorp shall file a Tier 1 Advice Letter within 30 days of issuance of this decision to amortize to customers over a three-year period the deferred current tax savings and protected and all non-protected excess deferred income tax for the period January 1, 2018 through the rate effective date of the final order in this General Rate Case.

11. PacifiCorp is authorized to continue to use the Post-Test Year Adjustment Mechanism (PTAM) for use in 2021 and calculated as the greater of: (i) the September Global Insight U.S. Economic Outlook forecast of Consumer Price Index for the following calendar year with an offsetting productivity factor of 0.5 percent; or (ii) zero. The PTAM factor may continue to be filed on October 15 (or as soon thereafter as is reasonable) as a Tier 2 Advice Letter, with rates effective January 1.

12. PacifiCorp is authorized to continue to use the Post-Test Year Adjustment Mechanism for Major Capital Additions based on California allocated costs relying on actual cost data and in-service dates in 2020 and 2021.

13. PacifiCorp may file its Post-Test Year Adjustment Mechanism for Major Capital Additions factor as a Tier 2 Advice Letter, as soon as reasonably feasible for 2020, with rates effective within 30 days of filing, and otherwise, on October 15, with rates effective January 1.

14. Continuing use of the Energy Cost Adjustment Clause is authorized.

15. Forecast Production Tax Credits and start-up fuel costs shall be included in Energy Cost Adjustment Clause proceedings.

16. PacifiCorp shall include in its annual Integrated Resource Planning filing, its least-cost planning analysis for continued operation of each coal unit serving California customers.

17. PacifiCorp shall file its next General Rate Case for test year 2022 pursuant to the applicable Rate Case Plan adopted in Decision 89-01-040, as modified.

18. PacifiCorp shall include in its next General Rate Case for test year 2022 or an earlier application its retirement plans for all coal facilities serving California customers, and any associated request for accelerated depreciation, consistent with its Integrated Resource Plan filings.

19. Application 18-04-002 and Investigation 17-04-019 are closed.

This order is effective today.

Dated February 6, 2020, at Bakersfield, California.

LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
Commissioners

President Marybel Batjer,
being necessarily absent,
did not participate.